EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,765 Thursday February 9 1989 D 8523A

CHICAGO
Paranoia in the futures pits
Page 20

World News

144 killed in Boeing air crash in Azores

A US-chartered Boeing 707 with 144 passengers and crew aboard crashed on the mid-Atlantic Azores island of Santa Maria as it approached the airport. There were no survivors among the 137 Italian holidaymakers and seven US crew on board. Page 2

W Bank deaths
Israeli forces shot dead two Arabs and a third died of wounds amid controversy over Israel's methods of quelling the Palestinian uprising. Israel rejected key conclusions of a US report alleging human rights violations. Page 6

Airlift to Kabul
The United Nations found a replacement aircraft to start a delayed airlift of food and medicines to the embattled Afghan capital, Kabul. Mujahideen attacks, Page 6

Spain labour unrest
Spain faces widespread industrial unrest following the collapse of a final round of talks between the Government and the two main trade unions. Page 20

Korea talks halt
Talks aimed at arranging an unprecedented meeting between the prime ministers of North and South Korea came to a halt amid a dispute over Seoul's war games with US forces. Page 6

Paraguay shakeup
Paraguayan coup leader General Andres Rodriguez replaced about 50 military officers, including the commanders of the three army corps.

S Africa protest
A civil rights group said that 105 blacks detained in Port Elizabeth have joined a hunger strike to protest against the policy of detention without trial. Page 6

Tamils appeal to UN
The Liberation Tigers of Tamil Eelam rebel group appealed to the United Nations Commission on Human Rights to mediate in an effort to end the ethnic conflict. The group also called for a ceasefire and the withdrawal of Indian troops.

Poland miners strike
The Polish government said a strike by coalminers threatened power cuts and was aimed at undermining efforts to reform the country. The strike halted coal supplies to Poland's biggest electric power station. Page 3

Italian protest
About 5,000 people protested at plans to base 72 US F-16 fighter planes at an airport near Saint Ann, southern Italy.

Iran diplomacy
Iranian Foreign Minister Ali Akbar Velayati has discussed improved economic and industrial links with officials in Spain. Iran amnesty, Page 6

Anglo-Soviet link
The British Government is to pay for 20 Soviet managers to attend a three-week course at the London Business School, Lord Young, the UK Trade Secretary announced.

Paddle the Channel
Czech Frantisek Rychnovsky, 75, a former barge helmsman, plans to paddle across the English Channel with his grandson on a Y-shaped log.

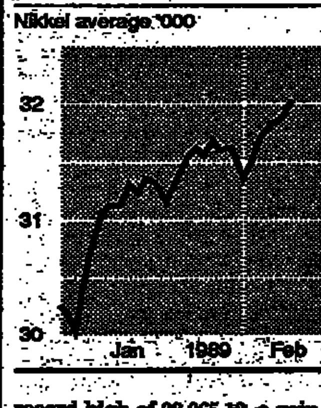
Business Summary

Argentina's currency continues to plunge

ARGENTINA'S currency, the austral plunged for the second day running, losing a further 20 per cent against the US dollar by midday with a black market devaluation of almost 35 per cent against last Friday. Page 20

NIKKEI average surged through the 32,000 level for the first time to close at a

Japan



record high of 32,065.12, a gain of 184.47, as investors continued a buying spree. Page 44

REEDPACK, British office products, paper and packaging group, and Daishowa Forest Products, Canadian paper group, have formed a joint venture to build a £200m ($348m) newsprint machine in Kent, England. Page 10

CHINA'S industrial output fell in January by nearly 11 per cent because of the current austerity programme to combat rising inflation. Page 6

EXPORTS of the Swiss chemical industry rose in value terms by 8.9 per cent last year to a record SFr 15.86bn ($9.9bn), after an increase of 2.2 per cent in 1987. Page 8

MITSUBISHI CORPORATION, Japanese trading conglomerate, has entered the European food market with the purchase of Princes canned foods and Trex brand fats from Nestlé of Switzerland. Terms were not disclosed. Page 21

ALGERIA and Morocco are to build a 2,000-km gas pipeline to carry Algerian natural gas across Morocco to Spain by 1995. Page 8

SIEMENS of West Germany and NEC of Japan confirmed they have signed licensing agreements with MIPS Computer, a US software and electronics group. Page 22

POLAROID, US photography group fighting off a $2.8bn takeover bid from Shamrock Partners, suffered a net loss in the fourth-quarter and full year. Page 22

OLIVETTI of Italy plans to boost its activity in US bank automation equipment with the $174m purchase of ISC Systems of the US, second only to IBM in the sector. Page 21

ANHEUSER-BUSCH, biggest US brewer, reported strong results for 1988, pushing the company's run of unbroken growth to 12 years. Page 22

AMERICAN EXPRESS, the US financial services group, has been forced to postpone a widely publicised new card it planned to launch in early January jointly with Nomura Securities, largest Japanese securities company. Page 23

UNION BANK OF FINLAND, one of the country's two biggest commercial banks, reports a virtually unchanged profit of FM1.2bn ($290m) before extraordinary items and taxes in the preliminary result for 1988. Page 24

GEORGE SHULTZ, former US Secretary of State, has rejoined the board of General Motors, the world's biggest automotive group. Page 24

THE HINDUJA GROUP: Correction, Page 6

Rocard urges Thatcher to help build EC

By Robert Mauthner, Diplomatic Correspondent, in London

MR Michel Rocard, the French Prime Minister, yesterday appealed to Britain to join France in building a more ambitious Europe, but warned that such an enterprise could not be based on a single economic doctrine such as the theory of free trade or monetarism.

In a wide-ranging speech to the Royal Institute of International Affairs at Chatham House in London, Mr Rocard in effect replied to a speech made by Mrs Margaret Thatcher, the British Prime Minister, in Bruges last year, in which she fiercely opposed any supranational form of government for the European Community.

However, Mr Rocard, who also appealed for greater co-operation between France and Britain in the nuclear defence field, couched his remarks on the future of Europe in conciliatory terms, stressing that both countries based their positions on a common conception of national independence and passion for democracy.

After emphasising that he considered Britain's fears of an interfering supranational bureaucracy to be perfectly legitimate, Mr Rocard said that it was, after all, General de Gaulle who had made it clear that Europe could be built only through the will of the nations which composed it.

If, today, the majority of Frenchmen were "convinced Europeans", it was not because they desired "uniform regulation" or the creation of a super-state, but because only Europe could allow the member states to preserve their personality and international role and give them the capacity to act on a world scale.

But, because of the diversity of the economic traditions of the countries making up the Community, one could not transpose to the European level the economic model of a single country.

The creation of a single market could not be allowed to lead to "blind deregulation."

It was indispensable that the European Community should conserve a regulatory function to maintain a minimum of coherence of the economic policies of the member countries, to prevent distortions of competition and to ensure social

Continued on Page 20


Picture: Alan Harper
Conciliatory terms: Michel Rocard (right) with Sir Geoffrey Howe in London yesterday

Bush continues to back Tower despite growing opposition

By Peter Riddell and Lionel Barber in Washington

PRESIDENT George Bush yesterday defended his choice of Mr John Tower as US Defence Secretary in the face of further allegations about financial and personal improprieties and the expression of serious reservations by senior senators.

The success of the nomination is looking increasingly unlikely, although neither the Bush administration nor Mr Tower appear willing to back down without a fight with the Democrat-controlled Congress.

The failure of Mr Tower's nomination would represent a major political setback for President Bush so early in his term, especially given his emphasis on ethics in government.

A recognition of the high political stakes involved prompted the President yesterday to call reporters into the Oval Office of the White House where he defended Mr Tower, whom he said had been "the victim of unfair rumours and frenzied speculation."

"I have seen nothing, not one substantive fact, that makes me change my mind about John Tower's ability to be Secretary of Defence and a good one," he said.

The balance in Congress has shifted against Mr Tower over the past 24 hours because members of the Senate Armed Services Committee, which has to confirm his nomination, are not satisfied that the former Republican Senator from Texas has dealt with a series of allegations about his personal life and financial dealings.


John Tower: allegations

Senator Sam Nunn, the Democrat chairman of the committee, said yesterday that because of his "serious concerns" he had told President Bush that if a vote was taken immediately he would vote against Mr Tower. Such a stance by such an influential senator would have killed the nomination.

Senator Nunn's comments came during a day of hurried meetings and manoeuvring between members of the committee and the administration. An early visit yesterday by Mr Tower to the White House was later described as "routine."

Earlier White House pressure, via Republican Senators, to accelerate the vote has back-fired by antagonising leading Democrats such as Mr Nunn and by turning the nomination into a more partisan battle.

Senator Nunn has put off the key vote on the committee after fresh allegations surfaced about Mr Tower's financial affairs. The Federal Bureau of Investigation is checking charges that he misused his position both when he was chairman of the armed services committee up to late 1984 and subsequently as a member of the US team in the arms control talks in Geneva.

Mr Nunn said he could not set a deadline for confirmation. "There is no cut-off here," he said.

Further delays in the vote, originally planned for last week, make Mr Tower's position increasingly difficult. Republican members of the committee have expressed fears that such a hold-up could be fatal. A further problem is that the Senate will be in recess for the whole of next week.

Senator James Exon, the second senior Democrat on the committee, said that "as a practical matter" the administration "can't draw it out too long."

Accepting that 90 per cent of the allegations made against Mr Tower were "garbage," the senator said the remaining charges concerned the nominee's drinking habits and his ability to avoid a conflict of interest with defence contractors from whom he received more than $1m as a constulant.

UK gilts market makers lose £190m

By Simon Holberton, Economics Staff, in London

MARKET MAKERS in British Government gilt-edged securities lost £190m in the first 2¼ years of trading after Big Bang, the Bank of England said yesterday.

Since October 1986, seven market makers have withdrawn from the gilts market and two have joined, leaving 22 now serving the market. The implication of the Bank's analysis, however, is that more will have to quit before the market can become profitable.

The Bank said: "It is too soon to conclude that either the structure of the market or the number of market makers has yet stabilised."

Its views are contained in a special article on the gilts market since Big Bang which was released ahead of today's publication of the Bank's Quarterly Bulletin.

But the article, which was also distributed to market makers late yesterday, drew a harsh reaction from some major UK securities houses.

One executive commented: "In view of the haemorrhaging that is taking place it is about time that two years after Big Bang the Bank stopped pussy-footing around and was tougher with smaller operators who are not playing by the rules as set out."

The Bank's review of the market, which is generally positive, found that investors generally had been provided with a full service by market makers. Where problems had been found, especially in the dealing in index-linked stocks,

Continued on Page 20

Bank of England bulletin, Page 10; Editorial comment, Page 18

Luxembourg and UK oppose plan for tax at source

By David Buchan and Tim Dickson in Brussels

THE European Commission's controversial new plan for a minimum 15 per cent tax-at-source on the savings and bond income of all Community residents was greeted with hostility yesterday by Luxembourg and the UK, home to two of Europe's largest financial centres.

Mr Jacques Poos, Luxembourg's Foreign and Economics Minister, said the tax plan – a French-inspired initiative to stem tax evasion when most remaining EC capital controls disappear next year – was "anti-European" because it would drive money out of the Community.

One of his officials said that if the common EC withholding tax was France's price for joining in the drive to free capital movements, the Community would be better off if France kept its money controls.

Luxembourg officials hope to concert their opposition strategy with Mr Nigel Lawson, Britain's Chancellor of the Exchequer, at a meeting of EC finance ministers in Brussels on Monday.

Last month Mr Lawson pointedly criticised those who "having accepted the principle of freedom of capital movements, are seeking to escape from its consequences." UK officials yesterday reiterated this position.

Presenting the tax plan, Mrs Christiane Scrivener, who is in charge of the Commission's newly-created tax portfolio, said it was aimed at reducing the risk of tax evasion and making "bearable" the lifting of exchange controls by the EC's eight richer states on July 1 1990.

She said it would still allow European financial centres to be competitive. The plan will not affect either Eurobonds or residents of third countries outside the EC.

She stressed the need for compromise from all sides, including the Commission, in getting the required unanimous approval in the EC Council of Ministers.

She was not, for example, totally committed to the proposed 15 per cent rate, although it represented a reasonable average of existing withholding tax rates.

West Germany wants any EC-wide tax to be closer to its new 10 per cent withholding tax.

Since it agreed last June to lifting capital controls by mid-1990, the French Government has on occasion threatened to backtrack on this commitment failing simultaneous EC action to reduce the differences in savings taxes.

Paris is particularly anxious about Luxembourg which has tight bank secrecy and no taxes on non-residents. Mrs Scrivener warned, however, that all EC members had voted for capital liberalisation. "No one was forced" last year, but all 12 should now stick to their commitment, she said.

Mrs Scrivener appeared to take heart from the fact that her two British colleagues – Sir Leon Brittan and Mr Bruce Millan – voted for her tax plan after Mr Jacques Delors, the Commission president, had made clear he wanted approval no later than yesterday.

The only opponents were Mr Frans Andriessen of the Netherlands and Mr Jean Dondelinger of Luxembourg.

Editorial comment, Page 18; Brussels spreads the pain, Page 2; US concedes on farm trade, Page 20

Plessey may split to defeat hostile GEC-Siemens bid

By Terry Dodsworth and Hugo Dixon

PLESSEY, the UK electronics group, is considering a radical plan to break itself into two as part of its defence against the hostile takeover attempt from the General Electric Company and Siemens.

The demerger would only go ahead, however, if Plessey's more conventional defensive manoeuvres failed. Even then it would need to run the gauntlet of shareholder approval.

The plan would involve splitting the group's telecommunications interests away from its defence electronics, micro-chip and other businesses.

Such a move could highlight the value of the individual parts of the company, notably its share of GPT, the telecommunications manufacturer it owns jointly with GEC.

Finding a way of boosting GPT's value has been a central preoccupation of Plessey's defence strategy since the Anglo-German consortium launched its bid in November.

The problem is that under the shareholder agreement which set up up GPT, GEC has the right to buy out the Plessey holding if ownership of its rival changes hands. This clause has severely hampered Plessey's search for an alternative, friendly bidder to help it escape from GEC/Siemens.

Under the demerger idea, Plessey believes that its ownership would not change hands and therefore the clause in the GPT agreement would not be triggered.

The company might then attract alternative partners for its various businesses, or underline its value to such an extent that the GEC/Siemens consortium would have to increase its offer.

Before adopting such a plan, however, Plessey intends to continue its campaign to persuade the Monopolies and Mergers Commission to block the takeover proposals on the grounds that such a deal would limit competition in the UK defence industry.

The company is also embarking on a "road-show" to convince institutional shareholders that it deserves to remain independent and that the GEC/Siemens proposals lack industrial logic.

At the same time, Plessey is hoping to show that GEC, by launching the bid with Siemens, has broken the GPT shareholder agreement and that therefore Plessey has the right to buy out the GEC holding.

Separately, executives in Plessey's chip manufacturing division say they are considering a management buy-out if GEC wins the bid battle.

Mr Doug Dunn, managing director of the division, says he is convinced the business could stand alone.

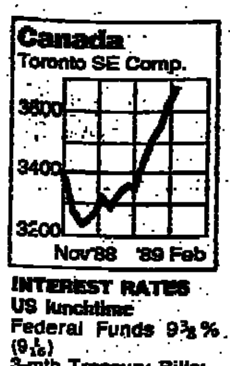
According to Mr Vivian Butler, Plessey main board director responsible for the semiconductor activities, several companies of the same size as the Plessey chip business had found financing in the US. "I am very proud of the team we have built up here," he said.

However, Mr Stephen Walls, Plessey managing director, stressed yesterday that the parent company saw the semiconductor division as a vital part of the group's operations.

Background, Page 32; Plessey offers defence maintenance deal, Page 10

MARKETS

Canada
Toronto SE Comp.



INTEREST RATES
US lunchtime
Federal Funds 9⅜% (9 1/16)
3-mth Treasury Bills: yield: 8.81% (8.839%)
Long Bond: 102⅛ (101⅝)
yield: 8.79% (8.836%)
London
3-month interbank: close 12 15/16% (same)

STERLING
New York closing
$1.7435 (1.7373)
London:
$1.7435 (1.7425)
DM3.2650 (3.2550)
FFr11.1050 (11.0725)
SFr2.7725 (2.7650)
Y226.00 (225.25)

DOLLAR
New York closing
DM1.8705 (1.87195)
FFr6.3665 (6.3695)
SFr1.5905 (1.5904)
Y129.425 (129.51)
London:
DM1.8720 (1.8675)
FFr6.3700 (6.3550)
SFr1.5905 (1.5865)
Y129.65 (129.25)

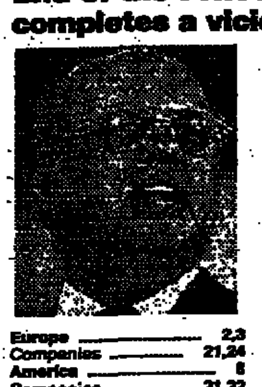
GOLD
New York latest
Comex April.
$399.1 (395.5)

STOCK INDICES
New York closing
Dow Jones Ind. Av.
2,343.21 (-3.93)
S&P Comp
298.56 (-0.74)
London:
FT-SE-100
2,096.2 (+23.4)
World:
145.26 (Tues)
Tokyo
Nikkei Ave
32,065.12 (+184.47)
Frankfurt
Commerzbank
1701.2 (+14.2)

OIL
Brent 15-day (Argus)
$17.10 (+0.45) (Feb)
West Tex Crude
$17.665 (+0.14) (Mar)

CONTENTS

End of the P.W. Botha era completes a vicious circle



The South African premier's ill-health and his National Party's sudden vulnerability have encouraged opposition leaders to spotlight the corruption which has dogged the Government during his period of office
Page 18

144 die as Italian charter flight crashes in Azores

By Diana Smith in Lisbon

ALL 144 people on board a Boeing 707 were reported dead yesterday after the chartered aircraft crashed on the island of Santa Maria in the Azores.

The 137 passengers, reported to be Italians, and seven US crew members were on an airliner travelling from Bergamo in Italy to the Dominican Republic in the Caribbean: the passengers were reported to be tourists.

The aircraft was owned by Independent Air Corporation of Atlanta, Georgia, and chartered to Dominair, an Italian holiday company. It crashed at about 2.30pm GMT on the windswept islands of the Azores, apparently as it made its final approach for a refuelling at Santa Maria airport.

Local government sources on the nearby island of Sao Miguel said the pilot had asked the airport to prepare for an emergency landing shortly before the crash.

Eye-witnesses on the island reported to Portuguese Television that they thought the plane was making "strange noises" as it came in to land, and that the pilot appeared to be flying abnormally low.

Helicopters and naval corvettes were immediately despatched to the area of Pico Alto, the highest mountain peak on Santa Maria island, where the crash took place, in order to search for bodies and for pieces of the fuselage.

The uncertain weather that prevails in the Azores during most of the year, caused either by heavy fog or by high winds, traditionally makes the nine small Portuguese islands difficult places for landing and for take off. Eyewitnesses said the mountain was covered in cloud.

So far, there has been no official confirmation of eye-witnesses' claim that the Boeing 707 appeared to be in trouble as it approached for a landing.

Investigators from the Portuguese civil aviation board flew yesterday afternoon to the inaccessible area where the aircraft crashed. They will be joined by US observers.

"Two bodies have already been recovered and there appear to be no survivors among the 137 passengers and seven crew," said an official handling rescue operations.

Dominair said the Boeing had earlier flown from the Dominican Republic to Italy with no problems.

Brussels spreads the pain of tax on savers

Proposed 15% levy would affect a wide range of investors, writes **David Buchan**

THE European Commission's new tax chief, Mrs Christiane Scrivener, yesterday played down the impact of her plan for a minimum savings levy for all tax residents of the Community – and played up her flexibility in accommodating member states' objections to details of the plan.

But there is no disguising that this proposal for a minimum 15 per cent withholding tax would, if adopted by the EC Council of Ministers, affect a wide range of investors.

Particularly concerned would be those cross-frontier investors who place their money in one EC state, but reside and are taxable in another, and take advantage of the very erratic taxation of non-residents (see chart). But those who both reside and invest in states like West Germany and Italy, where withholding tax rates for residents are currently below 15 per cent, could also see less of a return on their savings.

The proposed minimum tax-at-source would, in addition, be levied on anyone (EC or third country citizen alike) who is resident in an EC state for tax purposes. This new tax concept of "Community resident" is, according to the Commission, "entirely appropriate in the context of the creation of a European financial area".

The aim of all this, Mrs Scrivener said, was to "make it bearable" for the EC's eight richer member states to carry out their commitment to free all capital movements from July 1990, and for the other four to follow suit later. France and some other member states fear their citizens will abuse their new freedom by salting their money away into foreign banks and hiding the income on it from their home tax authorities.

The Commission has no precise estimate to offer of actual or potential tax evasion that might accompany capital liberalisation. But, as evidence of the amount of potentially taxshy money washing around the EC, it points to the substantial money outflows that preceded imposition, on January 1 this year, of West Germany's 10 per cent *quellensteuer*, or withholding tax, and of the new automatic reporting of interest payments by Dutch banks to their tax authorities.

By contrast, the UK Government argues that its Exchequer was hardly bled white by tax evasion when it lifted exchange controls in 1979, and other states should not suffer from 1990 on. Commission officials counter that what happened in 1979 has been made less relevant by far greater capital mobility and banking flexibility in the past 10 years.

To assuage France and other fiscal fraud hand-wringers, the Commission has in the past seven months examined three possible measures: taxing at source; closer co-operation between tax authorities; and automatic reporting by banks. Yesterday it formally proposed what amounts to one and a half of these measures.

It discarded the idea of extending the system of automatic bank reporting beyond those countries (Denmark, the Netherlands and, partially, France) that already have it.

Only extension of the extraordinarily tight Danish system (whereby a Dane can only put his money in a foreign bank which will undertake to report his interest earnings to the Copenhagen taxmen) would have covered the problem of non-residents.

This was unacceptable, though in yesterday's Commission meeting Mr Frans Andriessen of the Netherlands was one of the two opponents of the Scrivener plan (the other being Mr Jean Dondelinger of Luxembourg, of course).

The half-measure (because no one expects it to have any great effect) is a proposed amendment to the 1977 directive on co-operation between tax authorities. This would stop countries using administrative (as distinct from legal) means to frustrate tax inquiries from other EC states.

But Mrs Scrivener stressed: "There is no question of challenging bank secrecy laws." The most significant of these is that of Luxembourg. The Duchy will help EC partners and other foreign authorities pursue "criminal" investigations, but it does not class tax avoidance as a crime.

Raising withholding taxes to a common 15 per cent floor would lead to "a slight increase" in the EC's total tax take, said Mr Geoffrey Fitchew, the former UK Treasury official who heads the Commission's financial services. "But the aim is not to make any changes in individuals' liability to national income tax, but to block tax fraud channels."

In devising its tax scheme, the Commission claims to have struck a happy medium with 15 per cent, as a rough average of the current Community 0-35 per cent range. Mrs Scrivener indicated she was not wedded to this figure. But the Commission believes 15 per cent would be high enough to discourage continuance of tax havens within the EC proper, while low enough not to drive money out of the Community.

To ensure, however, that the Community does not lose business, the new tax would not apply to residents (whether EC nationals or not) of third countries, or to Eurobonds.

Asked whether the Eurobond market, through such mechanisms as "bondwashing" might not become a loophole for avoidance of the new withholding tax, Mrs Scrivener replied that maintaining the Euromarkets in Europe was economically vital to the EC and politically vital to getting any chance of eventually winning Britain and Luxembourg around to her plan.

At the other end of the investment scale, existing national tax-exempt schemes for small savers, such as the *épargnes populaires* in France or national savings certificates in the UK, would be spared the new tax, and member states would have "elbow room" to increase such tax-free saving incentives in the future, Mrs Scrivener said.

A final complexity of the withholding tax, however, is the increased clearing payments that will be required between member states, in order to ensure that taxes paid by non-residents end up in the exchequers of EC states where they reside.

EUROPEAN WITHHOLDING TAX REGIMES† (%)

Member State	Bond interest		Bank/Savings interest	
	Residents	Non-Residents	Residents	Non-Residents
Luxembourg	0	0	0	0
Netherlands	(A)	0	(A)	0
Portugal	25	25	20	20
Belgium	25	0	20	0
Denmark	(A)	0	(A)	0
France	(A) or (B)	0	(A) or (B)	0
Ireland	35*	35*	35	0
Spain	20*	20*	20	20
UK	25*	25*	25	0
Greece	(C)	0	(C)	0
West Germany	10	10	10	10
Italy	12.5	12.5	30	30

† subject to the provisions of double taxation conventions
(A) Automatic reporting by banks to tax authorities
(B) Choice of paying withholding tax at different rates (depending on types of bond) or at marginal personal income tax rate
(C) Banks calculate individual's income tax rate and apply it at source of interest
* subject to exceptions

Source: Adapted from European Commission

France feels the gravity of Europe's unstoppable unity

IAN DAVIDSON ON EUROPE

THE rigour of the negotiations over the EC's plans for a uniform withholding tax should not be allowed to distract attention from a fundamental fact: as far as France is concerned, at least, there is no longer any dispute over the principle of tax harmonisation.

If it doesn't take place by negotiation, then it will take place through unilateral reductions of France's high rates, starting in next year's budget. And this applies as much to the harmonisation of Value Added Tax as to the taxation of savings.

This is a radical change of attitude, which has taken place so surreptitiously that it has passed almost unnoticed. As recently as last October, Prime Minister Michel Rocard was fiercely denouncing the Commission's proposals for the harmonisation of VAT rates in the Community, on the grounds this would cost France too much in tax revenue.

By December, however, Mr Pierre Bérégovoy, France's Finance Minister, was calmly telling the Foreign Affairs Committee of the National Assembly not merely that harmonisation of VAT rates was indispensable in the single market, but also that France could afford the loss of tax revenue.

According to the account published by the Committee, he estimated this revenue loss at FFr 15bn to FFr 20bn (£1.35bn to £1.8bn) for the harmonisation of withholding tax on savings, and FFr 80bn to FFr 100bn for the harmonisation of VAT, making a total cost of FFr 100bn to FFr 120bn.

"Spread over the years 1990-1993, this loss of revenue will be bearable for our country provided the rate of economic growth remains at 2.5-3 per cent and that public spending is rigorously managed," the committee concluded.

In other words, the pace of events is transforming the Single European Market (in the minds of the French) from a daunting and distant theory into a reality which remains just as daunting but is now assumed to be unavoidable.

The time when the Government talked tough over next year's liberalisation of capital movements, as if it could demand countervailing concessions from other member states, appears to have melted away.

My hunch is that Europe has crossed some sort of psychological watershed, in which the negotiations in Brussels, the actions and expectations of the real world of business, and the calculations and anticipations of national governments, are all moving in synergy together.

Progress towards a more open European market is, in a narrow sense, probably unavoidable and unstoppable, because Europe must survive in an international context of increasingly open global markets. No doubt the progress will be partial and uneven, as governments seek to protect particular sectors, and no doubt these ad hoc protectionist urges will be dressed in the respectable clothes of international reciprocity.

Protectionist ideas could, no doubt, gain currency if the opening of the market aggravated the unemployment or balance of payments problems of individual member states. But it is striking that the principle of protectionism is not being preached in France, which has the longest history of *étatisme* and protectionism, which already has a serious trade deficit in industrial goods, and which for demographic reasons has cause to fear a further increase in unemployment.

Progress towards an open European market may also be unstoppable in a broader sense, that it is now built into the assumptions of a large and growing number of the participants in the game. We may have passed over the watershed, from the uphill slope on which governments resist the urgings of the Commission, to the downward slope on which they feel the concordant force of gravity.

The tax implications of competitive pressures in the single market could be far-reaching, not merely for France, but for the whole Community. VAT rates in France lie at the top of the European range, so they will have to come down. But since, for domestic political reasons, governments will be more reluctant to raise than to reduce tax rates, the probability must be that the average incidence of VAT rates in the Community will fall.

From a budgetary point of view, a cut in France's heavy VAT rates ought to encourage the Government to seek compensatory receipts elsewhere, most obviously by shifting more of the tax burden to income tax, which is light by European standards. But Mr Rocard is opposed on principle to heavier income tax, and on this point Mr Bérégovoy's evidence to the Foreign Affairs Commission did not suggest any change of tack.

When the Commission set out to sell the idea of the Single Market, it produced an economic study which claimed to show economic growth would be much higher, while inflation and unemployment would be much lower. Sceptics may be reluctant to put much faith on the details of the study; but it is striking that the factors examined in this Cecchini report did not include any assumptions about tax burdens in the Community.

If it is plausible to suppose the competitive pressures of the Single Market will combine to reduce overall tax levels, then this could be an additional factor driving faster economic growth.

Two weeks ago, Mr Nigel Lawson, the British Chancellor of the Exchequer, launched a brutal attack on the idea of economic and monetary union in the Community. "It is difficult to escape the conclusion," he said, "that this divisive and intensely difficult new issue has been propelled into the forefront of European debate at this time, either out of culpable carelessness, or as a smokescreen to obscure a lack of sufficient progress towards the Single Market – or worse, as a means of running away from the challenge of freedom."

Mrs Thatcher's critics in the Community sighed at this speech as just another expression of her neo-Gaullist reputation. But perhaps they should have concluded that Mrs Thatcher, too, can feel the movement onto the downward slope, and does not like it. Four years ago, Mrs Thatcher may have thought she had neutralised Continental urgings for a more confederate Europe, by pressing the supply-side case for the Single Market. Mr Lawson's speech suggests the British Government has fallen into that old logical trap, the fallacy of the last move.

Aeroflot aims higher in public esteem

By Quentin Peel in Moscow

AEROFLOT, the Soviet Union's large and much-maligned national airline, is struggling to shake off its image as one of the country's least popular and most inefficient institutions.

Top officials of the airline, and of the Civil Aviation Ministry, yesterday claimed slow but steady progress in their efforts to restructure the world's largest airline.

But in the face of a barrage of hostile questioning from the Soviet press, they admitted in the new spirit of glasnost that their safety record, the reliability of their schedules, and the politeness of their staff still left much to be desired.

Safety was the top priority, Mr Boris Panyukov, the First Deputy Minister of Civil Aviation, declared.

"We have reduced the number of our air crashes, catastrophes and accidents," he said. "We have received fewer complaints."

But he admitted that there were 16 accidents last year resulting in 85 deaths, compared with only 13 accidents and 17 fatalities in 1987.

As for reliability, the statistics were somewhat confused. Only 15 per cent of the 124m passengers carried last year were delayed – or some 25m, which seems to be more like 20 per cent, the officials said.

Aeroflot is the favourite target of criticism in the Soviet press: the object of a remarkable 865 newspaper articles, 295 radio broadcasts and more than 300 television broadcasts last year alone, according to an airline spokesman.

"We welcome their attention, even if it is critical attention," Mr Panyukov said.

He admitted that arrogance of the airline staff (some 95,000 pilots and crew are employed to fly almost 16,000 aircraft) was still a problem, but a big retraining programme was under way.

As the official news agency, Tass, reported last August: "Perestroika in the world's biggest air company . . . has been necessitated by the obvious fact that it does not enjoy the prestige due to it among foreign passengers. The main weak point is the less than modest standard of its services."

More miles

Another problem is simply stretching overstretched capacity to cope with an unsatisfied demand, without any increase in the airline's fuel supplies. Mr Panyukov said Aeroflot was being asked to fly 4 per cent more passenger miles this year than laid down in the five-year plan.

A switch to more intensive use of large aircraft, including the Ilyushin 86, the Tupolev 154, and the introduction of the new Ilyushin 96 and Tupolev 204 – "one or two years behind schedule" – is supposed to be part of the answer. At the same time, the airline has to open up a whole range of new routes, and extra flights.

In all of this, the management are convinced they are making a large profit. Mr Panyukov said it amounted to Roubles 4.7bn (£4.3bn) last year, although a close study of the annual report showed that figure to be the forecast passenger revenue in 1989.

He said that, none the less, Aeroflot had not received any state subsidies since 1977, an extraordinary achievement for an airline whose domestic fares are no higher than controlled train fares.

Only on the question of their finances were the Soviet officials still apparently in a state of confusion, unable to distinguish between their total revenues and their annual profits, in the current campaign to switch to full cost accounting and self-financing.

The occasion for the airline's alarming honesty was an annual news conference to publish its annual report, underlining just how huge a challenge it faces in coping with the demands of providing a national air network throughout the Soviet Union.

Mr Panyukov revealed plans for a substantial increase in international flights to the Far East, including both China, and a new flight to Seoul.

W German growth speeds up

By David Goodhart in Bonn

THE West German economy seems set to start 1989 in the manner it spent the whole of 1988 - growing faster than expected.

Yesterday's industrial order figures for December suggest that growth in the first quarter is likely to be ahead of the 2.5 per cent expected for the year as a whole.

Also yesterday, the German Institute for Economic Research estimated that real growth in exports for the first half of this year will be as high as 8 per cent, in part because of higher export prices.

However, complaints from trading partners about the continuation of export-led growth may be muted by evidence from the December order figures. This shows that domestic orders for investment goods are even higher than foreign orders. Mr Jonathan Hoffman of Credit Suisse First Boston said this reflected the fact that capacity utilisation at the end of last year was at its highest level since 1973.

Mr Hoffman also said that the accumulating evidence of a buoyant first quarter may have been another reason why the Bundesbank felt able recently to raise interest rates to forestall a marked increase in inflation. Economists were divided on whether growth is so strong that the Bundesbank may want a further rise.

The December order figures - although a somewhat erratic barometer - show a 4.3 per cent rise on November and a 12 per cent rise on the previous year. The November/December rise on September/October is only 1.5 per cent but the November/December rise on the previous year is 9.8 per cent.

Sakharov calls on Kremlin to release "new prisoners"

MR Andrei Sakharov, the Soviet human rights activist, yesterday called on the Kremlin to release "new prisoners of conscience" and give more constitutional protection to ethnic minorities, AP reports from Bologna.

The physicist and Nobel Peace Prize winner was awarded an honorary degree from the University of Bologna yesterday on the third day of his second trip overseas.

At the ceremony and in later appearances, Mr Sakharov hammered at the issue of ethnic rights, particularly in the strife-torn district of Nagorno-Karabakh in the Azerbaijan republic. Many people in the district, dominated by ethnic Armenians, want the area to be annexed to neighbouring Armenia. Several ethnic Armenians campaigning for the change have been arrested.

"Today, when nearly all former prisoners of conscience have been freed, there are suddenly new ones," Mr Sakharov told 1,000 people packed into a university auditorium for the degree ceremony.

Italy hits at high interest rates

By John Wyles in Rome

ITALY'S view that the leading Western nations have reached "the limits of their ability" to maintain economic stability through monetary policies drew "strong support" at last week's Group of Seven meeting in Washington, Mr Giuliano Amato, the Italian Treasury Minister, said yesterday.

Mr Amato said on television that the policy of fighting inflation with high interest rates was becoming counter-productive "because high interest rates keep a currency's value high, and a high currency makes exports less competitive, creating further trade deficits which can become the source of the problem you are trying to eliminate".

The minister had stressed this point at the meeting, adding that this "vicious circle" ran against the West's declared intent of helping to reduce the Third World's debt crisis because high interest rates were increasingly "suffocating" debtor-countries.

Mr Amato's concern with high interest rates is partly prompted by fears of the impact of any further rises in US rates and their impact on Italy's debt problem. Interest payments on Italy's L1,000,000bn (£423bn) government debt was a burden which a climate of falling rates would lighten.

High rates were also keeping up the US dollar whose value ought more to be a reflection of "a domestic fiscal and budgetary policy aimed at reducing the US (budget) deficit".

FINANCIAL TIMES
Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Bracken House, Cannon Street, London EC4P 4BY. © The Financial Times Ltd, 1989.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage paid at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia) Ltd, Ostergade 44, DK-1100 Copenhagen-K, DENMARK. Telephone (01) 13 44 41. Fax (01) 935335.

Corner of a plastic bag that is forever Germany

By David Goodhart in Bonn

IF THE smart new plastic bags given away by West Germany's Ministry for Inner-German Relations are anything to go by Bonn is reasserting Germany's historic claim to parts of Poland.

The bags display pictures of famous figures and monuments from East and West Germany, but tucked away in one corner is an imposing red-tinted palace that even the most assiduous student of the two modern German states might have trouble identifying.

For it is the Krantor in Gdansk, or Danzig as the Germans still insist on calling it, which has been very definitely Polish since the end of the last war. Before that, Danzig had spent most of the previous 500 years as a "free city," although it was briefly part of the Kingdom of Prussia and then the Third Reich.

In normal times such plastic bag revanchism might be dismissed as a minor embarrassment but – no doubt responding to new anxieties over West German restlessness – the slip has already provoked protests in the Bundestag led by Social Democrat Mr Reinhold Hiller.

The East German Government paper Neues Deutschland has also passed critical comment.

Some Polish diplomats in Bonn are, privately, outraged. One said: "This is a typically insensitive German blunder, they should destroy all the bags and print a new collage." Another pointed out that it was particularly unfortunate coming just before the 50th anniversary of Hitler's invasion of Poland.

But the Inner-German Relations Ministry, which is responsible for promoting trade and other contacts with East Germany, refuses to be brow-beaten. "There is nothing controversial here, the building in Danzig is a famous example of a certain kind of German architecture," says Mr Alex Stute the chief press officer.

He has a point. Although only briefly under direct German rule, Danzig was German-speaking for many centuries and between the wars lay between the main body of Germany and East Prussia (now western Poland). The plastic bag is just a reminder that German culture has extended far beyond the country's historically mobile borders.

Nevertheless Social Democrat critics argue that it is not the job of the Inner-German Relations Ministry to be promoting greater-German culture and that the inclusion of the Krantor is a Freudian slip on the part of the romantic nationalists who, such critics believe, control the ministry.

In public the Poles do not want to kick up a fuss. They are hopeful of fresh financial support from West Germany following the visit of Mr Mieczyslaw Rakowski, the Polish Prime Minister, despite continuing disputes over treatment of the German minority in Poland and mutual recognition of different place-names like Gdansk/Danzig.

They might also be more worried about the rise of the far-right Republican Party, which has the support of 11.5 per cent of voters, according to the latest polls, and which really does want the return of parts of western Poland.

Strains begin to tell in France's crowded jails

Jennifer Monahan examines the long-standing issues behind the warders' pay dispute

THE FRENCH Government is taking a hard line against prison officers striking in protest at an independent mediator's report, just published.

Mr Gilbert Bonnemaison, a Socialist deputy mayor and former director of the National Council on Delinquency, was appointed in October to mediate between prison staff and the Justice Ministry, after 12 days of disruption that brought criminal justice to a standstill.

The Bonnemaison report scarcely had time to circulate before union calls for a renewal of action met a response on Monday in a number of prisons, notably in the Paris region. Police were sent in to disperse picketing officers and 13, including local union representatives were suspended. Prison officers are forbidden by law to strike.

Their specific grievance is the mediator's rejection of the "one-fifth", an automatic supplementary year's pay increment every five years which would give them parity in pension rights with the police.

Mr Bonnemaison argues that the "one-fifth" is not likely to be granted, given today's economic realities. But behind the particular demand lies the familiar grievance of men who fill the job of prison officer: a need for recognition and status in an unpopular and ambiguous role, made less and less tolerable by overcrowding.

The report addresses the fundamental problems of the French penal system, of which the officers' bitterness is a symptom. The report, The Modernisation of the Public Penitentiary Service, defines overcrowding as the main problem to be tackled, and proposes alternatives to prison as the rational line of approach.

France's prison population now stands at 47,000, having increased over the past 12 years by 70 per cent. The official number of places available is 35,000. Nearly half of all prisoners are on remand awaiting trial. Longer sentences, rather than greater numbers being sent to prison, are the main explanation.

Mr Bonnemaison proposes a ceiling on numbers for each establishment, with selected releases of prisoners awaiting trial or serving short sentences to allow new receptions without surpassing the limit. Electronic surveillance using bracelet transmitters is proposed as one alternative to imprisonment.

French riot police clash with striking prison officers in Paris

The objective of penal policy, says the report, is a reduction in offending, and the objective of prison policy, the reduction of recidivism. It stresses that the current system contributes to delinquency and that it accepts a very high recidivist rate: 60-70 per cent.

A wider latitude in sentencing is advocated, by which community work could replace a prison term of a year or less; an extension of remission and of provisional release is also recommended. The report makes a plea for closer co-operation between judicial and penal authorities in trying to achieve the main goals.

It outlines the current situation in prison building: the Socialist Government inherited the Gaullist programme which aimed at creating 15,000 prison places at a capital cost of FFr 40bn (£360m). This was reduced under Mr Pierre Arpaillang, the new Minister of Justice, to 13,000 places.

Mr Bonnemaison points out that the building programme leaves renovation of old prison stock starved of funds. He wants to see a further reduction of new prison building, with the funds thus saved devoted to older establishments (80 per cent of existing French prisons were built before 1914.)

Housing for prison staff and reception facilities for visitors are also essential recommendations. And the report makes several proposals for reducing the isolation of prisons, their staff and their inmates.

Some of the most outspoken criticism in the report is directed at existing patterns of prison administration, which is "overcentralised" and "excessively bureaucratic".

Clear guidelines should be set at the top, says Mr Bonnemaison, but greater autonomy should be granted at local level.

Archaic methods of handling paperwork should be computerised. The inspection of prisons should cease to be the responsibility of the prison administration itself.

Emphasis is placed on the importance of staff-inmate relations in maintaining a calm prison. A training of nine weeks (at present) should be extended to eight months, with follow-up courses throughout an officer's service. The report acknowledges the extra load placed on discipline staff as a result of the introduction of specialist activities for prisoners, and specialists to carry them out: teachers, social workers, psychologists, sports instructors etc.

Recruitment to make up the shortfall of all categories of prison staff is urgently needed, says the report. (Total prison staff number 18,700; in Britain it is 28,700, for an average of around 50,000 prisoners.)

Suggestions in the report that were likely to prove unpopular with the staff include: the extension of the prison working day to accommodate evening visiting; possible introduction of marital visits (called less coyly in France "sexual" visits); further consideration of the presence of a lawyer at disciplinary hearings; and rejection of special separate secure units for disruptive prisoners.

"There's more in it for prisoners than for us" was the reaction cited among officers. Yet the report is based on an unprecedented series of direct consultations with prison staff, and it displays an unusual understanding of the realities of prison life.

If its main outlines were to be adopted and successfully negotiated, it could provide a chance for France to reverse the trend towards incarceration that gives it proportionately one of the highest prison populations in the EC.

Strike spreads as coal miners reject Solidarity's pleas

POLAND'S banned trade union, Solidarity, held new talks yesterday with the Government, but there was increasing concern that the coal miners' strike at Belchatów, 90 miles southwest of Warsaw, could disrupt the negotiations, Reuter reports from Warsaw.

The strike spread despite the efforts of two envoys sent to the pit on Tuesday by Mr Lech Walesa, the Solidarity leader.

The Government said the strike stopped supplies of coal to Poland's biggest power plant at midnight. "Cuts in electricity supplies will soon be threatened," it said.

Solidarity officials said the strike over pay was a local issue. It is the biggest strike since last August, when the worst labour unrest broke out since the union was suppressed under martial law in December 1981.

Mr Jerzy Urban, the government spokesman, said in a statement read on television: "I want to turn the attention of the public to the fact that the strike is aimed against the principles of reforms."

He said almost 4,000 miners were occupying the mine but strikers later told reporters at the pit's gates that the strike had been joined by 8,000 of the 12,500 workforce. They denied that they wanted to undermine the Government-Solidarity talks.

"The whole mine has not been working since about 10 minutes after midnight," Mr Jozef Pulkowski, head of a Solidarity strike committee, told Reuter by telephone from inside the mine yesterday.

He said 5,000 miners were involved in the sit-in. They wanted a Zl 30,000 (£33) a month pay rise – equal to about half Poland's average wage. The Belchatów power station had enough coal reserves to last about three days, he said.

Hundreds sign petition demanding Havel release

By Leslie Colitt in Berlin

MORE THAN 500 Czechoslovak cultural personalities have signed a petition to the Government sent by 700 others last week calling for the release of the playwright Vaclav Havel, who has been in custody since January 16.

It is his longest period in pre-trial detention since he was released from prison in 1983 after serving nearly four years. His lawyer has been told he will be informed tomorrow on the results of the current investigation.

Mr Havel was accused of organising a demonstration in Wenceslas Square in Prague on January 16 with the help of Western radio stations broadcasting to Czechoslovakia. Dozens of appeals from both East and West have demanded that he be freed, but the number of signatories to the Czechoslovak petition is unique.

Two other opposition members remain in custody in Prague: Ms Jana Petrova and Mr Otakar Veverka, both activists in the independent Peace Group. Three others are being held in Brno.

Koskotas scandal takes bizarre turn

By Andriana Ierodiaconou in Athens

THE SCANDAL involving the Greek banker Mr George Koskotas took a further bizarre turn yesterday.

Mr Gerassimos Arsenis, an independent MP, has alleged that a secret meeting took place in Rome in 1985 between Mr Andreas Papandreou, the Prime Minister, Mr George Louvaris, a personal friend of the Premier who was formally charged last week with having received money from the jailed banker, and an Egyptian businessman at the time facing charges of fraud in Greece.

The alleged meeting was reported by Mr Arsenis on Tuesday during an appearance by Mr Louvaris before a parliamentary fact-finding committee on the Koskotas affair.

Mr Arsenis held the post of Economy Minister in the Socialist Government until the end of 1985 when a stringent stabilisation programme was introduced over his head. He subsequently left the Socialist party.

He was prevented from questioning Mr Louvaris in depth on the alleged Rome meeting, on the grounds of irrelevant evidence, by the Socialist chairman of the committee.

In an interview yesterday, Mr Arsenis claimed that Mr Papandreou met Mr Azzam twice in Rome, once in 1985 and once in 1984. Mr Azzam was charged with foreign currency fraud in 1983 together with the management of the Heracles Cement company, one of Europe's top cement exporters, whose business associate he was. Heracles also employed Mr Louvaris.

The Heracles case, handled personally by Mr Arsenis as Economy Minister, sent shock waves through Greek industry. The defendants were cleared by an appeals court in 1988, and a Supreme Court decision on the case is pending.

Official home for Swedish PM

THE SWEDISH Government is to buy an official residence for its Prime Minister, a 40-room palace on the Stockholm waterfront which has already dubbed Sweden's Number 10 Downing Street, AP reports.

The price of Number 18 Strömgatan was SKr 45.5m (£4.13m) but Mr Ingvar Carlsson, the Prime Minister, is not expected to move in until after renovations costing up to SKr 15m.

Mr Carlsson, who rents an apartment owned by the Swedish Crown, will have his new home conveniently tucked between the Prime Minister's office and the Foreign Ministry. Until the assassination of Mr Olof Palme in 1986, Prime Ministers in egalitarian Sweden lived in their own homes.

ADVERTISEMENT
THE BREWING INDUSTRY

LEADING LEISURE IN BRITAIN

A British success story

THE FACTS

RESPONDING TO CHANGE

- ★ Britain's brewing industry is engaged in leisure related activities, and the industry has a £16 billion turnover within the £65 billion leisure market.
- ★ **The number and variety of licensed premises has changed – there are 60,000 more licensed outlets of all kinds than 20 years ago.**
- ★ *Brewery owned pubs now account for only 55% of full on-licences compared with 78% in 1967.*
- ★ The industry has invested £3.2 billion in brewery owned pubs between 1981 and 1987.
- ★ **The drinks market has changed dramatically – beer now accounts for only 56% of all alcohol sales compared with 71% in 1967; lager's share of the beer market has risen to 46% compared with 3% in 1967; canned beers' share has risen to 16% from under 1% in the same period. Sales of table wine have risen sevenfold.**

A COMPETITIVE MARKET

- ★ *More than half of beer (52%) is sold through non-brewery owned outlets and only 25% of all licensed premises are brewery owned.*
- ★ The tied house structure enables smaller breweries to compete in their areas with nationally advertised brands, and the customer benefits from this.
- ★ **Britain's four biggest brewers have only 58% of the beer market; the top four in Australia have 98%; in Japan 99%; in Denmark 90%; in France 93%; Canada 95%; Netherlands 95%. It takes the top eight brewers in the UK to reach 80%.**
- ★ *New producers and retailers have entered the market. Imported beers and beers brewed under licence already account for 17% of sales.*

A WEALTH OF CHOICE

- ★ There are just under 150,000 on-licences and clubs ranging from traditional pubs to cafe bars, restaurants, wine bars, hotels, sports clubs, discos and social clubs etc. – one for every 300 adults.
- ★ **There are more than 1,000 beer brands available in the UK – more than any other country except West Germany, with more than a dozen types of beer nationally available – more than any other country.**
- ★ *There is an average of 16 draught and packaged beers in British pubs compared with fewer than half in most continental European bars.*
- ★ The UK has 66 brewery companies – 8 national, 58 regional and local – offering rich diversity.

VALUE FOR MONEY

- ★ **Over 90% of both Britons and foreigners agree that the pub offers excellent to fairly good value.**
- ★ *An average male wage-earner takes 14 minutes to earn the price of a pint of beer in Britain's pubs – less than in the bars of every other continental European country, except West Germany, where excise duty is much lower.*
- ★ **Both Britons and overseas visitors rate British pubs more highly than continental bars for value for money.**

CUSTOMER SATISFACTION

- ★ Nearly seven out of 10 Britons prefer pubs to bars in other countries (69%) and 64% of overseas visitors prefer British pubs to their own bars.
- ★ **Visiting pubs is the most popular leisure pursuit outside the home – well over half (52%) of adults visit pubs at least once a month.**

Over the last ten years change has been the name of the game for British brewers. Change in the way they market their products, change in the way they see themselves as an industry.

Today brewers of all sizes and characters serve the dynamic £65 billion a year leisure market, and can truly claim to be "leading leisure in Britain".

In a special report issued in January, Britain's brewers set out a range of data based on UK and international surveys which demonstrated the choice, competitiveness and popularity of the main strand of their business, the British pub, and highlighted the successes of one of the country's largest and most important industries.

"Brewing is a major employer, a significant contributor to Government revenues and, through that most famous and popular of British institutions – the pub – it touches the lives of millions of people the length and breadth of the British Isles", said Anthony Fuller, Chairman of the Brewers' Society.

Pubs remain the centre of our leisure life . . .

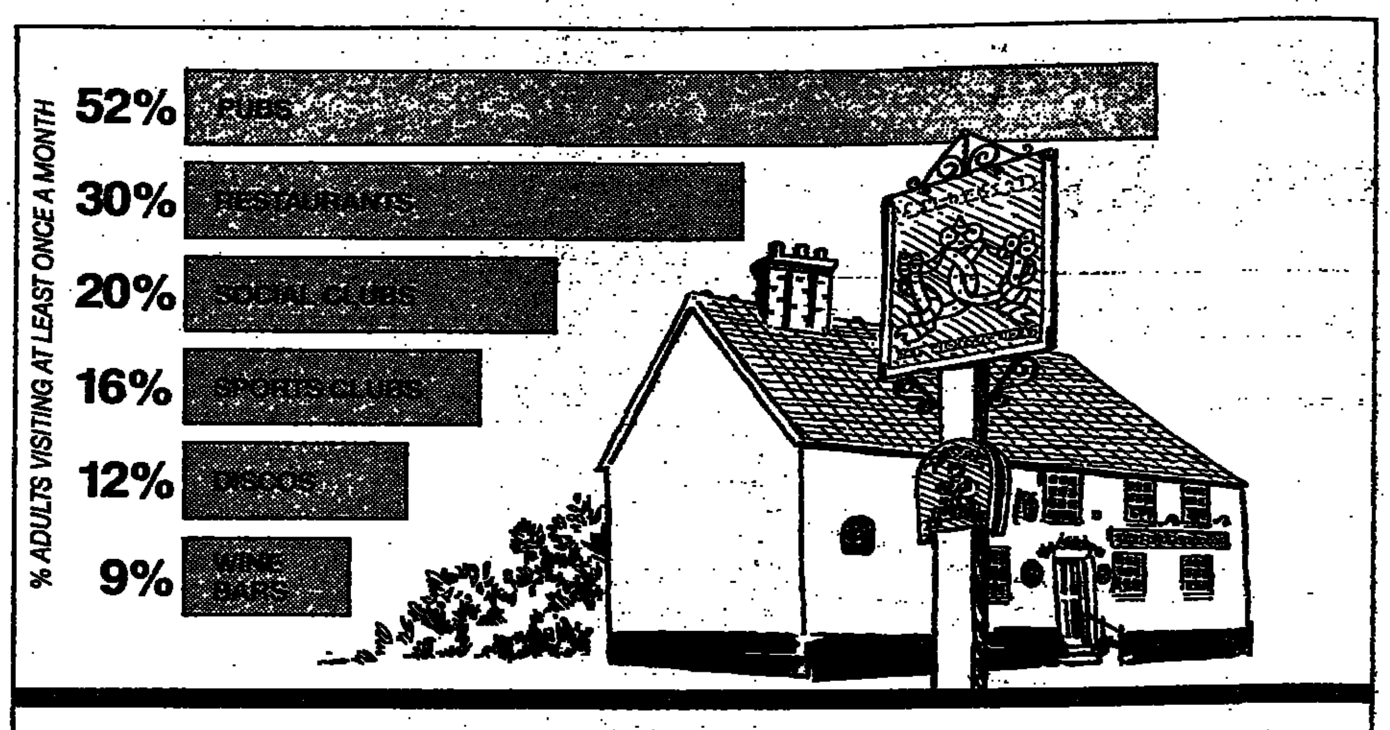
"Brewers have retained their leading role in the UK leisure market not only by maintaining the traditions of brewing but by leading the pace of change. The hallmarks of the British brewing industry today are fierce competition, wide choice, and excellent value for money.

"Together they help explain why a visit to the pub still remains the most popular leisure pursuit outside the home – as well as earning the admiration and affection of millions of foreign visitors.

"Our special report on the UK brewing industry is intended to provide a perspective on the industry and the leisure needs of its customers. The pace of change continues to accelerate and the future will present new challenges and demand new insights."

In these two pages, we examine some of the report's findings and review the brewing industry's development.

If you would like to obtain a copy of the full report, contact the Secretary, The Brewers' Society, 42 Portman Square, London W1H 0BB. Telephone: 01-486 4831.



FREQUENCY OF LEISURE ACTIVITIES OUTSIDE HOME Source: MORI, April 1988

THE INDUSTRY

Leading the pace of change

The brewing industry is one of the most important industries in Britain. It makes a significant contribution to the national economy, while its products and services cater for the leisure needs of a majority of the adult population of Britain. About thirty million pints of beer are enjoyed every day in the UK. Nearly 70 per cent of all adults visit a pub at least once every three months; just over half visit at least once a month and more than a third will do so once a week.

Impressive as these figures are, they can only begin to describe the substantial influence of the brewing industry on the UK leisure scene. Brewers have to compete fiercely for a share of consumers' leisure spending and their success can only be properly understood if they are viewed as competitors in the fast growing UK leisure market.

This market is estimated to be worth some £65 billion – one of the most vibrant sectors of the country's economy. Brewers' share of the market is estimated to be about £16 billion or 25%. The industry's interests in other markets such as food and overseas investments add up to a total turnover of some £23 billion.

The role of the industry in the leisure market takes on a number of forms. Brewers have to compete through the services, facilities and ambience of their pubs – not only with each other – but with the fast proliferating number of other leisure attractions open to the public including the fastest growing leisure activity of all: time spent at home. The attraction of the total leisure package offered by brewers in their pubs is absolutely crucial in their fight for a share of the leisure spending cake.

Many brewers have diversified and expanded into other areas of the leisure market – hotels, restaurant chains and country clubs are just some of the leisure sectors in which many brewers have substantial investment programmes.

There are 66 sizeable brewery companies in the UK, eight national companies, and 58 regional and local companies. The national brewers are those companies whose brands are marketed throughout the UK; regional companies concentrate their operations on specific areas of the country, while local companies sell their beer mainly in the immediate locality of their brewery.

The diversity and low concentration of the UK brewing industry are two of its most striking attributes particularly when one compares the industry to its counterparts overseas. The four largest national brewing companies in the UK account for only 58% of the beer market whereas in Denmark, France, Canada, the Netherlands, Australia and Japan, the corresponding share is at least 90% of the market.

It takes the market share of all eight national brewers to reach 80% of Britain's beer market leaving plenty of room for the regional and local brewers which add so much character and choice to the UK scene.

In spite of that low concentration in the UK beer market, Britain's large brewing companies are competitive in international markets. Five of the top six European groups with brewing and distilling interests are British – Grand Metropolitan, Allied Lyons, Bass, Guinness and Whitbread – with Heineken as the only non-British company making the top six. Scottish and Newcastle also makes the top ten.

In an industry where annual consumption of beer was 38 million barrels in 1987, many of the regional brewers are also big companies with turnovers placing them well in the largest 300 companies in the UK. The regional brewers include Wolverhampton and Dudley Breweries, the Vaux Group, Marston, Thompson and Evershed, Greene King and Greenall Whitley.

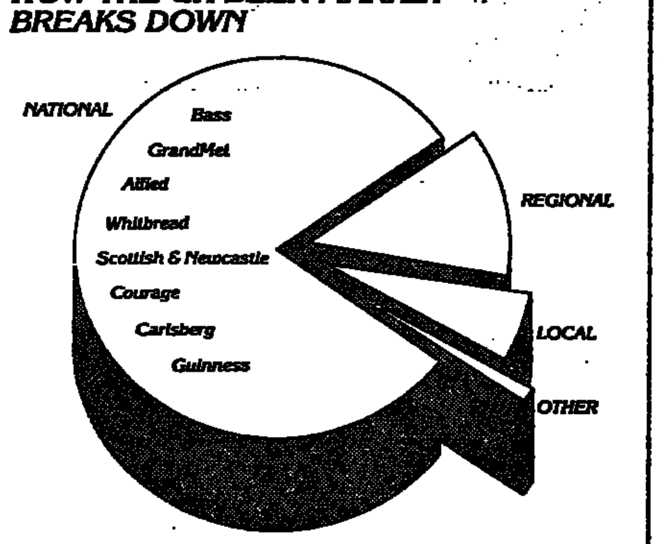
At the other end of the scale are a large number and variety of successful local brewers ranging from Adnams in East Anglia to Youngs of London.

Together, the national, regional and local companies supply over 200,000 licensed premises, 60,000 more than 20 years ago.

Over a quarter, 52,500, are off-licences – retail outlets where alcoholic drink cannot be consumed on the premises. The remainder includes some 30,900 restaurants and residential hotels, 34,300 clubs and 82,900 pubs and hotels sometimes described as "full" on-licences.

Brewery owned pubs account for only 55% of full on-licences and only 25% of all licensed premises. More than half of the beer produced by brewing companies (52%) is sold through non-brewery owned outlets.

HOW THE UK BEER MARKET BREAKS DOWN



Source: Brewers' Society 1988

The brewing industry is a major employer. It provides over 444,000 jobs in the UK, 44,000 in beer production and 400,000 in retailing. It also has an employment impact on other sectors of the economy. Brewing companies are large customers of other British companies – for capital equipment, packaging, energy, and distribution services.

There is a particularly close relationship with the agricultural sector. Over 1.5 million tonnes of best barley are used every year to make some 1.3 million tonnes of barley malt. About half goes to brew beer; much of the rest is used in distilling. The drinks industry as a whole accounts for almost one-third of the UK's barley production. Brewers also use over 6,500 tonnes of hops or hop preparations a year.

Beer makes a substantial contribution to Government revenues through excise duties and VAT. In the 1986/87 financial year, almost £3.2 billion was paid to the Treasury from these taxes – almost 2.5% of Government revenue from direct and indirect taxes and 6.5 of revenue for taxes on expenditure.

CHANGE

Pacesetters as Eighties set a leisure challenge

Not for the first time in the history of the brewing industry, brewing companies have had to respond to consumers' changing leisure tastes. The growth of cinema in the 1920s and TV in the 1950s are two obvious periods when people's leisure habits changed dramatically.

During the 1980s; consumers' leisure requirements have become more varied and the brewing industry has had to meet these changes in different ways. On the one hand, many millions of pounds have been invested in pubs which, while still providing a traditional role, have also been developed to meet new and different markets. On the other hand, people's demand for drinks has also changed. Wine has become much more popular; lager has grown substantially, and very recently, with concern about health and drinking and driving, there has been the development of low alcohol products, particularly beer.

Why has there been this change of leisure activity in Britain? People have more leisure time available – around 25 per cent extra since 1980, whether enforced through unemployment, or through shorter working weeks and longer holiday allocations.

Consumers now have far more varied leisure expectations – partly because many of them have been exposed to alternative activities and standards abroad. The British spent £7.5 billion on foreign holidays in 1987, an increase of 19 per cent in real terms since 1982.

Possibly the most dramatic impact on leisure can be seen in the eating out boom – sometimes described as the 'engine room' of today's leisure industry. The British are now spending over 24 per cent more in real terms on eating out than in 1982.

But the greatest competition of all comes not from any outside activity but from the home. Almost 60 per cent of people spend more time at home than they did five years ago with the figure rising to 67 per cent among high spending 25-34 year olds.

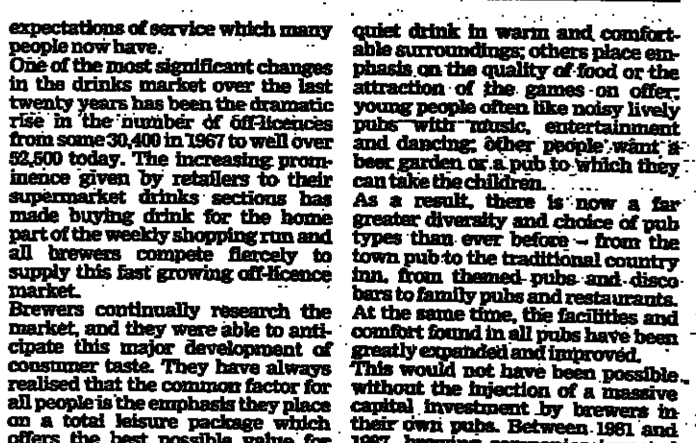
The DIY and gardening boom, the rise and rise of the video recorder, and the attractions of sophisticated hi-fi systems have all led to people spending more time at home, and on the home.

The new diversity in today's leisure market is reflected in the increase in the number of premises which are licensed for the sale of alcohol.

The number of pubs and hotels has risen 10.5 per cent from 75,000 in 1967 to 82,900 today. The number of clubs has risen 28.9 per cent during the same period from 26,600 to 34,300. Largest of all though has been the increase in the number of licensed restaurants and private hotels – a 291 per cent rise from 7,900 in 1967 to 30,900 today.

As a result pubs have had to learn to compete with the fast proliferating variety of leisure alternatives – restaurants, sports clubs, snooker halls, activity centres to name but a few – as well as satisfying the new expectations of service which many people now have.

INVESTMENT IN BREWERY OWNED PUBS 1981-87



Source: Brewers' Society 1988

One of the most significant changes in the drinks market over the last twenty years has been the dramatic rise in the number of off-licences from some 30,400 in 1967 to well over 52,500 today. The increasing prominence given by retailers to their supermarket drinks sections has made buying drink for the home part of the weekly shopping run and all brewers compete fiercely to supply this fast growing off-licence market.

Brewers continually research the market, and they were able to anticipate this major development of consumer taste. They have always realised that the common factor for all people is the emphasis they place on a total leisure package which offers the best possible value for money. Pubs have to compete not only on the quality and choice of their beer and other drinks products, but on their ability to provide the right environment in which people want to spend their leisure time.

Brewers know that the consumer wants different things from different pubs – some want the traditional pub where people can have a quiet drink in warm and comfortable surroundings; others place emphasis on the quality of food or the attraction of the games on offer; young people often like noisy lively pubs with music, entertainment and dancing; other people want a beer garden or a pub to which they can take the children.

As a result, there is now a far greater diversity and choice of pub types than ever before – from the town pub to the traditional country inn, from themed pubs and disco bars to family pubs and restaurants. At the same time, the facilities and comfort found in all pubs have been greatly expanded and improved.

This would not have been possible without the injection of a massive capital investment by brewers in their own pubs. Between 1981 and 1987, brewing companies invested over £3.2 billion in improving their public house estates. Investment plans for the next three years come to some £800 million a year.

In addition to changing consumer demands, there have also been changes in the population. One of these has been the shift of people from city centres to new towns, and changes brought about in part through new employment patterns (growth of service industries, decline of manufacturing) as well as changes in the age structure.

Against this background, brewers continually assess the number and distribution of their public houses so as to ensure that their estates are operating at maximum efficiency.

Overall, the number of outlets owned by brewers has declined by over 13,300 houses between 1967 and 1988 (or from 78 per cent to 55 per cent of all full on-licences). Some brewers have reduced the size of their estates and concentrated on improving their remaining houses, as well as buying new houses in line with their individual approach to the market.

At the same time as these changes in outlets were occurring, there were also substantial changes in the drinks market. Beer has declined as a share of the total alcoholic drinks market from 71 per cent in 1967 to 56 per cent in 1987.

Sales of table wine have increased sevenfold since 1967, while the spirits sector has become more complex with the growing preference for lighter spirits like vodka, let alone a greater choice of soft drinks.

Beer consumption which peaked in 1979, has been relatively static since 1982, although still well above 1967.

In 1967, draught and packaged ale and stout accounted for 97 per cent of UK beer sales, with draught and packed lager taking only 3 per cent.

The last two decades have seen a major change in preference. Lager now accounts for over 46 per cent of beer sales as many people opt for lighter, colder drinks.

Since the production of lager requires different brewing techniques and plant, brewers have made substantial investments to meet that changing demand. Most of this was in the 1970s, but even so between 1981-87, the industry invested over £1 billion in new beer production and packaging plant.

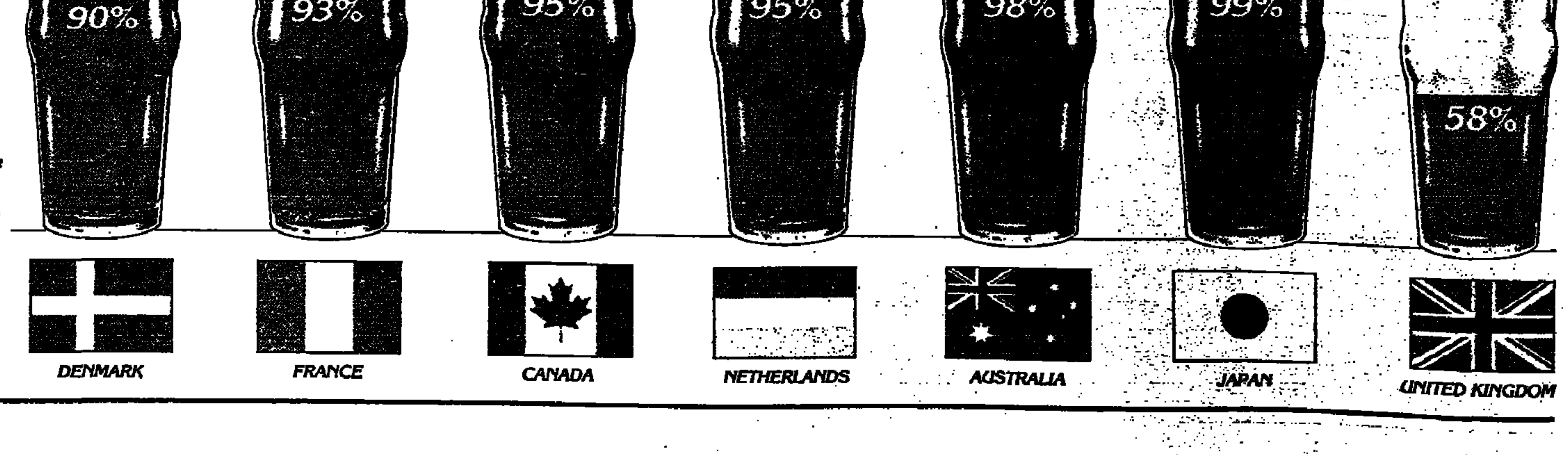
More recently, brewers have responded rapidly to the increased interest in low alcohol and alcohol free beers, now estimated to take one per cent of the beer market.

Two final facts. First, according to industry estimates, average turnover including VAT of a managed pub outlet increased from £165,000 in 1981 to £265,000 in 1986 – even though sales of beer declined as a proportion of that turnover.

Secondly, perhaps the most immediately obvious change of all in the British pub has been the range and quality of food on offer. In spite of increasing competition, pubs have managed to maintain a healthy 40 per cent share of the eating out market – a telling indication of the brewing industry's success in rising to the challenge of change.

CONCENTRATION OF NATIONAL BEER MARKETS

Market share of four largest companies in each country



Britain's brewing industry is not concentrated. Overseas markets are dominated by a few companies, whereas in Britain the four largest brewers have just 58% of the market. It takes the eight largest brewers to reach 80%. Regional and local brewers compete to offer the consumer an even wider choice of brands.

Source: Brewers' Society 1988 from national industry figures.

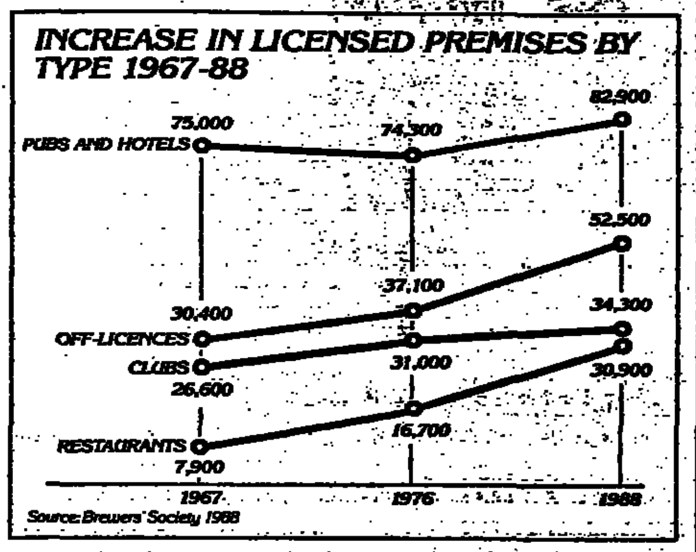
LEADING LEISURE IN BRITAIN

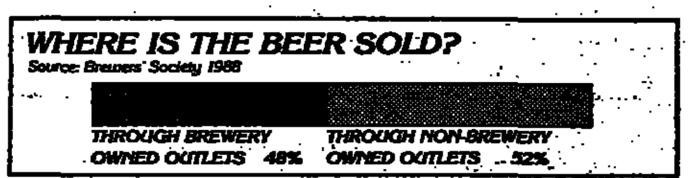
ADVERTISEMENT
THE BREWING INDUSTRY

THE BREWING INDUSTRY
LEADING LEISURE IN BRITAIN

COMPETITION

A diverse and open market . . .





Comparisons between the UK brewing industry with any of its foreign counterparts in countries with similar beer drinking traditions reveal the diverse and open structure of the market in Britain.

It is arguable that much of the dramatic change which has characterised the UK scene over the last twenty years has only been made possible by the fierce competition between brewing companies to respond most quickly to changing consumer demands – not to mention the challenge of new entrants to the market both from home and overseas.

One of the most striking comparisons with industries overseas is the low concentration of the UK market. Britain's four biggest beer brewers have only 58 per cent of the total UK beer market. In Australia, the top four brewers have 98 per cent of the market; in Japan their share is 99 per cent; in Denmark 90 per cent; in France 88 per cent; in Canada and the Netherlands 95 per cent. It takes the top eight brewers in the UK to reach even 80 per cent of the market leaving a fair share for regional and smaller brewers which add so much character and diversity to the UK leisure scene.

Undoubtedly a key factor has been the freedom of brewers in the UK to operate a wide range of competitive strategies including owning tied pubs. This freedom has been particularly important for regional and local brewers. Unable to match the national brand promotion budgets of the largest brewing companies, the guaranteed outlets of their tied estates have enabled them to compete effectively at a local level as well as providing the economic base for wider distribution of their products and new product development.

Apart from the 65 sizeable national, regional and local brewing companies in the UK, there is a growing number of smaller "micro" brewers entering the market, most providing products to their immediate locality while, in addition, about 90 pubs brew their own beer on the premises.

Important as the tied house structure remains in protecting the diversity of the UK market, there has been change. Between 1967 and 1988, the number and proportion of full on-licences which are brewery owned have been steadily declining as brewers have developed an increasingly diverse portfolio of competitive strategies to meet the demands of a more complex market.

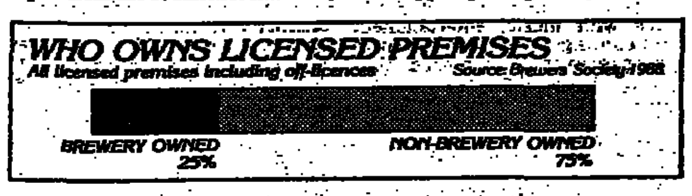
The importance of the tied house in the UK needs to be put in proper perspective. More than half of the beer sold in the UK now goes through non-brewery owned outlets while only 25 per cent of all licensed premises are brewery owned.

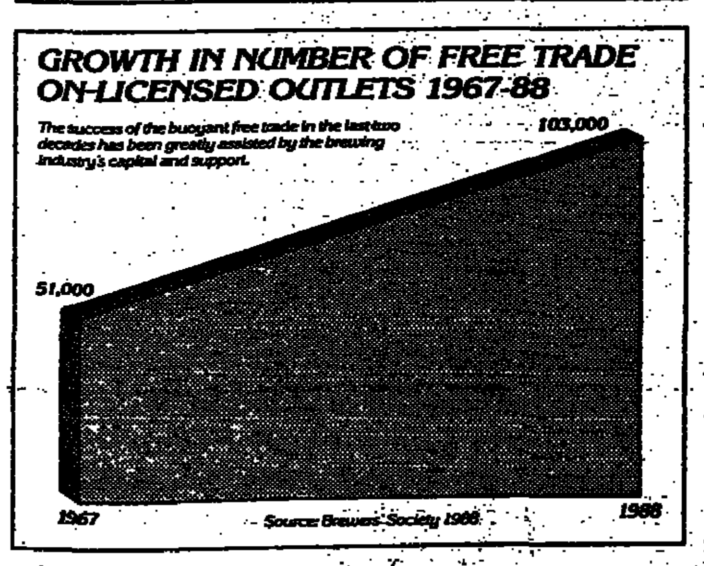
Two of the largest brewers, of course, have long chosen not to operate retail outlets at all.

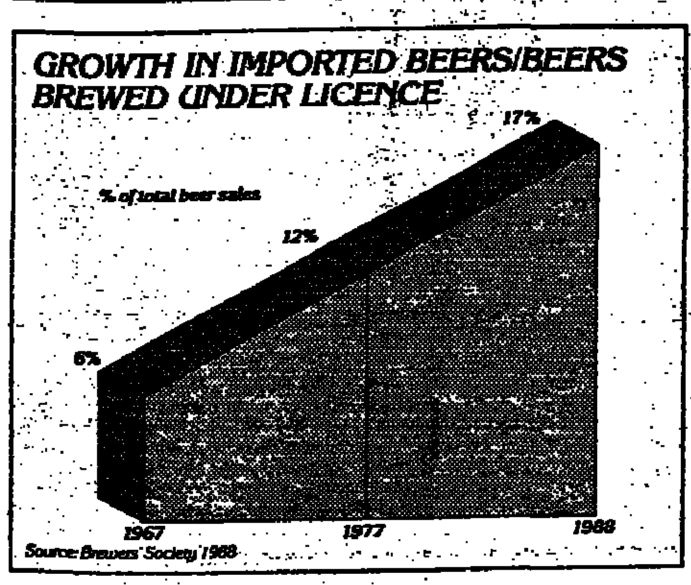
Most brewery owned pubs have other licensed premises within walking distance.

Even if the pub is the only one in a village, many pub goers use a car and are prepared to drive some way to their preferred outlet. In a recent survey carried out by MORI for The Brewers' Society, 48 per cent of people said that they went by car on their last visit to the pub and 30 per cent had travelled three miles or more.

With this level of consumer choice it is no wonder then that, for brewing companies, competition has to cross the other side of the bar too. Every pub goer knows that a good manager or landlord makes a good pub; a bad one can ruin it. Brewing companies compete for the best managers and tenants through the financial and support packages they offer.







CHOICE

Unrivalled choice for UK consumers

Consumers have a greater choice of licensed premises and drinks in the UK than almost anywhere else in the world. The choice is getting wider all the time as new types of outlet develop and new UK and overseas brands are introduced to the market to cater for the public's increasingly sophisticated and diverse tastes.

Take licensed premises. There are just under 150,000 on-licensed premises in the UK, one for every 300 adults in the country. That's a 22 per cent increase since 1967. But more important than the rise in numbers has been the revolution in the sheer variety of premises available.

The 'traditional' pub with its unique atmosphere and warm and comfortable surroundings remains supreme. It is regarded with great affection by Britons and with great admiration by foreigners. But in addition, there are now vast numbers of cafe bars, wine bars and 'themed' pubs for the young and chic; pubs with beer gardens and children's play areas for the family; high quality restaurant pubs for the gourmet, and games oriented pubs for the more active.

Adding to the consumer's choice is the increased variety of restaurants and clubs throughout the country.

Brewers have been the pacesetters in helping to create this rich new world of leisure. By investing heavily in their pubs during the 1980s, they have been able to deliver greater choice and much higher standards of facilities and services.

A survey, carried out by MORI in April 1988, found that six in ten people are satisfied with the choice of pubs available to them near their homes. Only 17 per cent are dissatisfied, compared to 23% in 1978.

Of people who have a regular pub, 75 per cent are also satisfied with the choice of beer available. For women beer drinkers the figure is 81 per cent, for male beer drinkers 87 per cent.

In the UK, the evidence shows that pub-goers get one of the best choices in the world. A special international survey, carried out by RBL in 1988, investigated the average number of beer brands available in the pubs and bars of England and Wales, West Germany, France, Denmark and Ireland.

It found that the average pub in England and Wales has a choice of 6.5 draught beers and 9.8 packaged beers – a total of 16.3 beers in all. That was nearly twice as many as any other of the other Continental European countries. Danish bars could offer 9.1 beers on average; French bars 6.6 beers and West German bars only 3.9 beers.

At first glance it might appear that the choice of beers in Ireland is comparable. But the Irish beer market has far fewer brands compared with that of Britain. Altogether, 133 different draught beers were recorded in the English pubs surveyed compared to only 18 in Ireland.

The same nine draught beers were available in half the pubs surveyed in Ireland, whereas only one draught brand had a similar penetration in England and Wales.

There are well over 1,000 beer brands in the UK, more than in most other countries. British pubs reflect a world of choice. Beers from other countries including Germany, Denmark, Holland, Australia and North America compete with those fom the UK.

Moreover, there are over a dozen different types of beer in the UK which are nationally available – more than any other country in the world.

In addition to the wide choice of beers, British pubs offer a wide choice of wines, spirits and soft drinks to meet the needs of an increasingly sophisticated consumer.

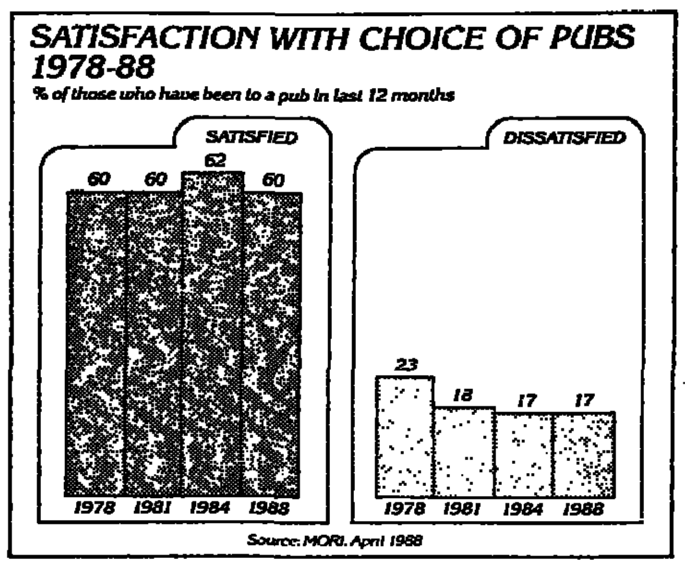
Consumer preference for new types and brands of beer is reflected by the choice in the pub – a vast new range of lagers and a fast growing number of low alcohol and alcohol free brands to add to the long tradition of diversity in ales.

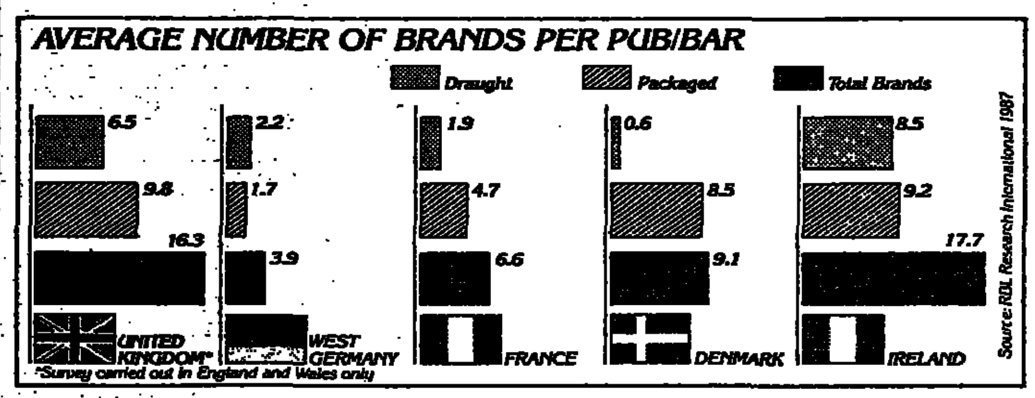
Packaging has also changed. The trend has been towards convenient cans and PET (plastic) bottles, and away from returnable glass bottles.

In 1971, 18 different beer packages including variations in size were used in the industry, comprising various forms of cask, keg, returnable bottles and cans. By 1985, this number had increased to 37 types.

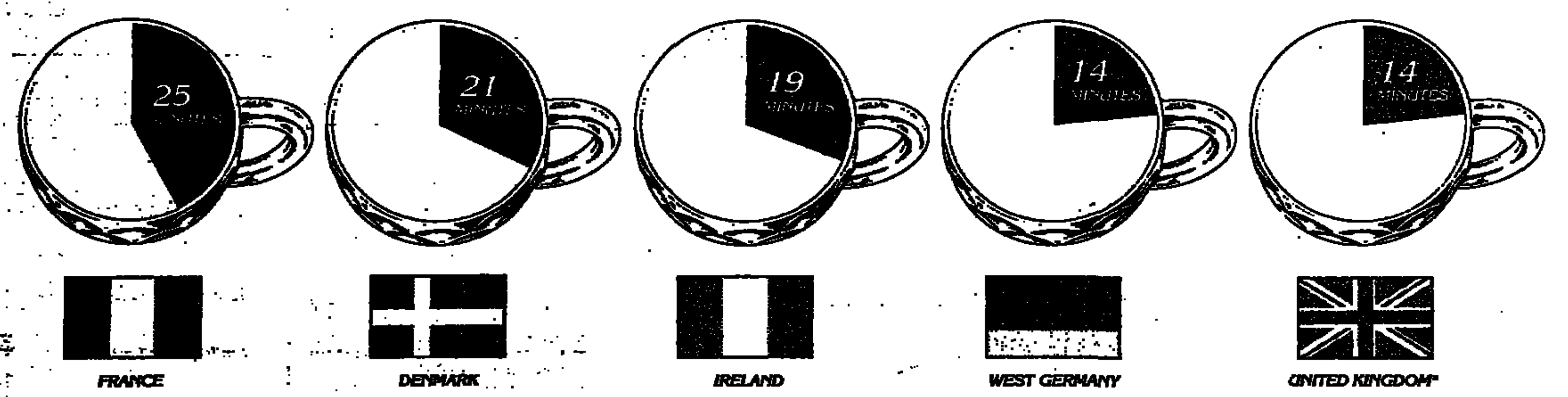
Numerous plastic packages for take home draught beer as well as non-returnable glass and PET bottles, reflect the growing importance of the take home trade.

Overall, the choice offered to the British consumer, both in regard to the kinds of outlet available, and the ranges of beers available in them, must be the best in the world.





VALUE



TIME TAKEN TO EARN A PINT OF BEER IN A BAR OR PUB

By calculating the time taken to earn enough to buy a pint of draught beer, based on average earnings by men working in manufacturing industries, the true value for money offered by the British pub becomes clear. Only West Germany, where excise duty is much lower, is comparable.

This data has been produced by taking the average prices established in the RBL survey and earnings data obtained from Eurostat.

*Survey carried out in England and Wales only.

Sources: RBL, Brewers' Society 1988

'Package deal' is a winner

For many years the industry has recognised that pub goers want more than the purchase of an alcoholic or indeed non-alcoholic drink from their favourite pub. After all, they can do that just as easily and more cheaply by going to an off-licence and drinking at home.

Instead they want a range of services and amenities in which a drink is only one part of the package. An increasingly important part of the package is food, and also games and sports facilities, music, other entertainment, facilities for children, outside seating or accommodation. It most certainly includes the often 'intangible' atmosphere and general environment which makes one pub more pleasing as a place to enjoy a drink with friends than another.

The significance of pub amenities and facilities was shown clearly by a survey carried out in 1987 by Wyman Harris Research Limited into the attraction of pubs in Keighley, Yorkshire and Epping, Essex. The researchers found that surveyed pubs in these areas with facilities such as gardens, bar food, and comfortable furniture enjoyed far higher visitor numbers for their size and type than similar sized pubs without the same amenities – in spite of the fact that they were sometimes more expensive.

Thus this survey shows just how important amenities are when customers visit one pub instead of another pub or another leisure centre. In paying for a pint of beer, or a glass of wine, or a meal in a pub, the customer is buying not just the product but a leisure package.

With the standard of facilities and amenities now so high in British pubs, it is perhaps surprising to find that the price of a pint of beer in Britain compares extremely favourably with many other countries.

One effective way of measuring value for money between British pubs and bars in other countries is to investigate how long it takes the average male wage earner to earn a pint of beer in a pub or bar. Prices and earnings data collected in international surveys by RBL and Eurostat show that it takes the average wage earner in England and Wales just 14 minutes to earn a pint of beer. In Ireland, it takes 19 minutes; in Denmark 21 minutes and in France 25 minutes. Only in West Germany is there also a 14 minute pint – but in that country the excise duty element is much lower than in the UK.

Another way of measuring the value for money of the leisure package provided by British pubs is to compare the price of a pint of beer bought in an off-licence to that bought in a pub. Clearly it is more expensive in a pub, since customers are also paying for the added value service and amenities that go with the drink – just as people pay far more for food in a restaurant than for food bought for the home.

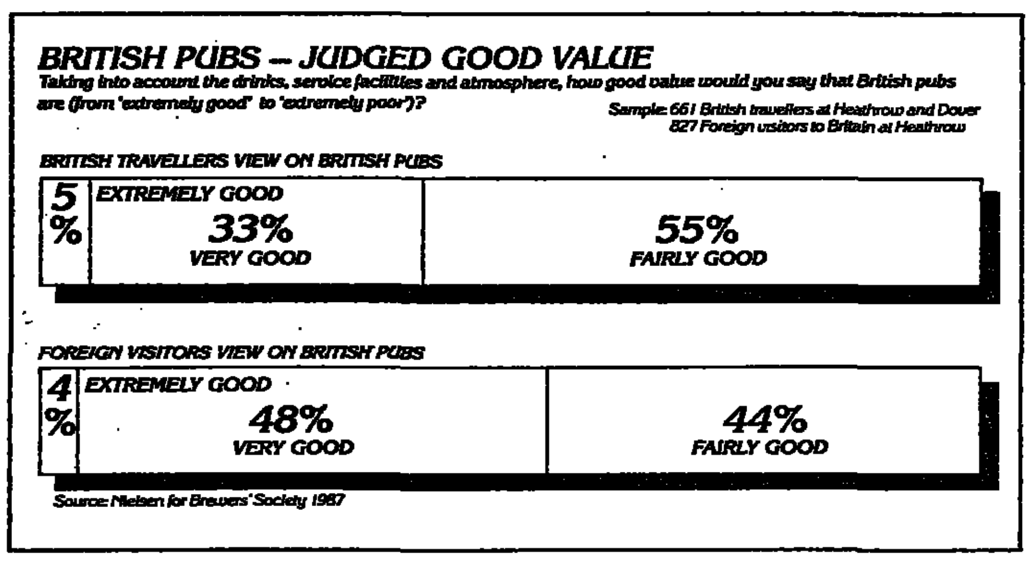
Yet, according to prices data collected in 1987 by ERC Statistics International, the price differential between pubs and off-licences in the UK is far lower than between bars and off-licences in other countries – just 1.7 in this country against 2.3 in the USA, 3.1 in Belgium, 3.5 in France and West Germany and 3.8 in Italy.

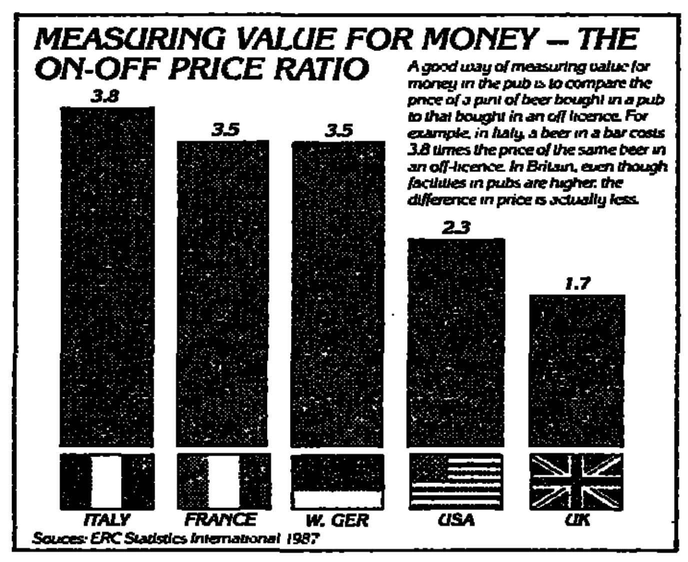
A good indication of the value for money offered by British pubs can be seen in the fact that nearly half (48 per cent) of the people who eat out at lunchtime normally do so in a pub – in spite of the vastly increased range of alternatives which have grown up in the last few years. Even in the evening, 26 per cent of those eating out normally do so in a pub. (MORI, April 1988).

In a survey carried out by Nielsen, the vast majority of both British travellers and foreign visitors to Britain agreed the pub was good value. Ninety three per cent of the British and 96 per cent of foreigners said the pub was extremely to fairly good value.

Although 38 per cent of British said the pub was extremely or very good value, only 30 per cent said the same of foreign bars they had visited.

Foreigners' vote of confidence in the British pub was even greater. Fifty two per cent thought the British pub was extremely or very good value. This contrasts with only 34 per cent who thought the same of bars in their own respective countries.





SATISFACTION

The pub's enduring popularity

The pub has been at the heart of the British way of life for hundreds of years – as much a part of the community as the church, the school or the village hall. Today it remains by far the most popular leisure pursuit outside the home with – according to a recent survey by MORI – over half of the population (52 per cent) visiting a pub at least once a month and over a third visiting at least once a week.

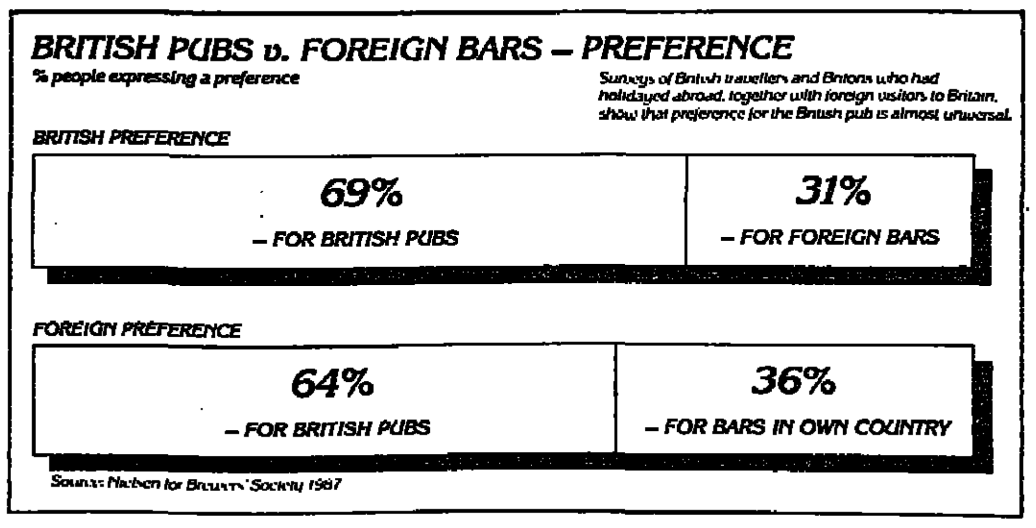
By comparison, restaurants attract only 30 per cent of the population once a month, social clubs 20 per cent, sports clubs 16 per cent, night clubs and discos 12 per cent, and wine bars 8 per cent.

Why does the pub remain so popular? Research by MORI suggests that the reason is that it continues to match, more closely than any other activity, the average person's idea of the 'ideal evening out'. According to the MORI survey, pubs come very close to mirroring what people want from an evening out – friendly staff who look after you well, comfortable seating, attractive decor, the option of a meal, a clean and tidy environment, and a place where people can meet friends and acquaintances.

The experience of foreign travel and exposure to many different types of bar does not seem to have lessened the average Briton's appetite for the pub back at home. In a survey carried out by Nielsen, nearly seven out of ten Britons (69 per cent) said that they prefer British pubs to bars in other countries which they have visited.

It is not just national pride. More than six out of ten foreigners, who have visited British pubs, also said in the same survey that they prefer them to the bars in their own countries.

The pub's continued wide popularity in an age of fast changing consumer demands and tastes is a tribute not just to its long tradition – but to its success in constantly changing to meet people's needs.



OVERSEAS NEWS

Industrial output in China falls 11% in January

By Colina MacDougall

CHINA'S industrial output fell in January by nearly 11 per cent because of the current austerity programme, the Xinhua news agency reported. The sudden drop below December levels suggests Peking is braking the economy too hard.

At the end of last month Gu Xiulian, governor of Jiangsu, one of China's richest provinces, confessed she lay awake fretting about the economy. "I have not been able to sleep well these last few days," she said. "I have been worrying about production decline and energy shortages."

Madam Gu has reason for alarm since the Canton-based Asian-Pacific Economic Times recently reported that in south Jiangsu, where industry has boomed in the past decade, about one third of enterprises were idle for lack of capital, energy and raw materials.

Last autumn Peking clamped down on economic growth to restrict soaring inflation and growing industrial chaos. The annual growth rate for industry last year was 18.8 per cent, in contrast to a target of around 8 per cent. Cuts in construction and investment were imposed, which have just begun to bite.

Stagflation, a worrying mix of industrial stagnation and rising prices, is now seen as a serious risk by senior Chinese economists. Officials in Peking, Shanghai, Tianjin and the industrial north-east claim there are dangers of dramatic drops in production, the China Daily reported, because of the severe restrictions on borrowing, much higher interest rates, shortages of raw materials and growing materials costs.

Last month the Asian-Pacific Economic Times noted that factories did not have enough cash to buy materials and stores could not fill their shelves. Some enterprises could not pay wages. In Shanghai the working week had been cut from seven to five days, and in Shenyang in the north-east it was down to two to three days.

At the same time there is no real sign of a fall in inflation. While details of January's performance are still scarce, Mr Thomas Chan, the respected Hong Kong economist, recently predicted continuing inflation on the basis of October-December 1988 figures. Grain prices rose fast in November and were unlikely to fall before the harvest next summer, he pointed out, while the money supply and the trade deficit continued to grow.

Corruption is continuing to compound economic difficulties, with a new scandal affecting the China Welfare Fund for the Handicapped which is headed by Deng Pufang, crippled son of Deng Xiaoping, the paramount leader. The Sichuan branch of the fund has been caught importing watches duty-free under the guise of donations.

Only three weeks ago Deng Pufang denied that his fund had any improper connections with the Kanghua Company which last year was investigated by Peking authorities for its activities, particularly in Hong Kong. Originally Deng set up Kanghua to generate profits for the Fund but in 1987, he said, connections were severed.

Second Westland crash revives controversy in India

By David Housego in New Delhi

THE CRASH of a second British made Westland W-30 helicopter in less than eight months is seen here as bound to revive press and parliamentary controversy over the acquisition of the aircraft under a £65m aid grant from Britain.

The helicopter, belonging to Pawan Hans, the Indian operating group, went down in Nagaland in North East India killing three of the six passengers on board. The six were all employees of the company.

There was no immediate explanation for the crash which apparently occurred in good weather. Westland's office in Delhi said yesterday that the Director General of Civil aviation had attributed the first crash in July, in which six people were killed to "pilot error".

Westland wants the report, which it says ruled out technical causes as a source of the crash, published in India to help clear Westland's name of widespread charges against the helicopter of technical faults and malfunctioning.

Westland provided 21 W-30 helicopters to India of which 19 now remain. No more have been sold since.

The crash comes at a time when Westland is beginning delivery to the Indian navy of 20 Sea King MK 42-B anti-submarine and anti-ship helicopters. The crash also comes on the eve of a visit to India by Lord Young, the British Trade and Industry Secretary, (pictured right) for a meeting of the two countries' joint economic commission. The sale of the W-30 helicopters to India was sealed after intervention by Mrs Thatcher with Mr Rajiv Gandhi, the Indian Prime Minister.

With Parliament reconvening for the February budget session and Mr Gandhi on the defensive after his defeat in the Tamil Nadu state assembly elections, the crash could provide fresh ammunition against him.

In an effort to reassure Indian opinion Westland and Rolls Royce, which provided the engines, have kept six people on in India to provide maintenance support.

Of the 19 helicopters, nine are based in Bombay on off-shore work, five in Delhi and all but one of the rest in the mountainous north. Servicing these is said to have presented problems because they operate on a single station basis and in widely scattered areas.

The Director General of Civil Aviation flew up to the crash site yesterday at Dimapur in Nagaland. Westland officials were seeking permission to go to the area which is normally banned to foreigners.

Mujahideen step up attacks on key roads

By Christina Lamb and Robin Pauley

AFGHAN Mujahideen yesterday stepped up attacks on the two main roads north out of Afghanistan to the Soviet Union and on the Afghan capital of Kabul.

As the security situation continued to deteriorate the first UN airlift of relief supplies to Kabul remained grounded in Islamabad because of the danger of flying into the Afghan capital.

Tass, the official Soviet news agency, said that 12,000 guerrillas were concentrated along the main route north from Kabul through the Salang pass to the Soviet border and another 5,000 were deployed along the western road leading north from Herat.

The treacherous Salang route passes through a tunnel and a narrow pass making it easy to attack. The Soviet forces have set up 199 fortified guard posts along the route and as the Soviet withdrawal nears an end they have started handing them over to Afghan troops loyal to the Communist regime of President Najibullah. Yesterday they handed over the posts on the first 50 miles out from Kabul.

The Mujahideen are putting maximum pressure on the Afghan forces in an attempt to force as many as possible to defect and speed up the collapse of the Kabul regime.

Afghan government troops on training exercise in Kabul

Simultaneously, Soviet forces were also handing over stretches of the main highway running north to the border through the western province of Herat and encountering the same difficulties.

"On some stretches in both directions, opposition groups tried to attack and hamper the transfer of posts and other military facilities, but encountered a powerful response," Tass said.

The roads are the two main land routes out of Afghanistan for an estimated 15,000 Soviet troops. Soviet forces are lifting as many troops as possible out by air but a number have to go by road to take heavy equipment and vehicles.

Guerrillas launched another rocket attack on Kabul last night. The Soviet army has now evacuated Kabul except for some military advisers and about 1,000 troops concentrated around the airport.

The Boeing 707 chartered from EgyptAir by the UN to take 32 tonnes of emergency supplies to the beleaguered capital remained on the runway at Islamabad Airport, the crew apparently fearing for their safety.

The flight was to be the first in a series to transport 390 tonnes of supplies in the next week. UN officials say they now hope to begin the airlift tomorrow using an aircraft chartered from another airline.

Some Afghan guerrilla leaders and western governments have spoken out against the airlift, saying it could prolong the life of the Kabul regime. A spokesman for the resistance alliance said they could not ensure the safety of the flight. "There are thousands of men with missiles all the way from here to Kabul. It is not possible for us to contact each and every guerrilla and tell him it is a UN plane."

Jordan delays bank loan repayment

By Norma Cohen and Victor Mallet

THE Jordanian Government has for the first time delayed repaying an instalment of a syndicated commercial bank loan, reflecting the severe nature of the country's foreign exchange shortage, bankers in London and in the Gulf said yesterday.

In the capital Amman, meanwhile, police used martial law to close the offices of dozens of money-changing houses, which had hitherto been tolerated as a conduit for foreign currency dealings.

Their licences were withdrawn because of "continuous violations despite previous warnings from the Central Bank," Jordan radio announced. The Government is particularly concerned about a renewed bout of capital flight from local savings into deposits abroad.

The crackdown came amid increasing pressure on the Jordanian dinar, and speculation that Jordan might reverse its previous policy by rescheduling some debts and even by seeking assistance from the International Monetary Fund. Money-changers had been trading at around 660 fils to the dollar, compared to the Central Bank rate of 570. There are 1000 fils to the dinar.

Bankers say Jordan asked Amman-based Arab Bank, the paying agent, to roll over for three months a principal payment of about $16.5m due on a $150m syndicated loan signed on July 26, 1984. The seven-year loan had a three-year grace period with principal due in nine equal semi-annual instalments, ending in 1991. Jordan is up to date on interest payments.

Earlier this week it emerged that Jordan had taken the unusual step of withdrawing from the market another $150m seven-year loan which was being syndicated by some of the same banks involved in the rollover. The interest rate on the new loan, at an initial ⅞ per cent over the London inter-bank offered rates, was much more attractive to lenders than the ½ per cent margin on the earlier loan.

Jordan's foreign currency shortage has been exacerbated by a reduction in remittances from Palestinians living in the Gulf. The position is likely to be further worsened by the expiry at the end of 1988 of a 10-year-old agreement whereby the Gulf states subsidised the Arab countries facing Israel.

Saudi Arabia, the only country to meet its commitments in full, recently made a final payment of $59.5m to Jordan, although it may continue to provide some kind of balance of payments support. Jordan's total foreign debt is estimated at about $6.5 bn, of which more than half is military debt, and its debt service obligations as a proportion of exports have been rising steadily in the 1980s.

Khomeini backs political amnesty

AYATOLLAH Ruhollah Khomeini, Iran's spiritual leader, has agreed to an amnesty for political prisoners, Tehran Radio said yesterday, Reuter reports from Nicosia. The radio quoted him as urging the families of those released to keep them out of further troubles, indicating that the measure applied mainly to young members of left-wing opposition parties, called grouplets in Iran.

It said 900 prisoners would be excluded from the amnesty, which marks the 10th anniversary of Iran's Islamic revolution. The most recent official figure for political prisoners in Iran, made public a year ago, put their number at about 9,000.

The measure was proposed by Mr Mohammad Mohammadi Reyshahri, the Internal Security Minister, who said armed opposition groups no longer posed a threat to the Islamic Republic.

The radio did not give the terms of the amnesty or the number of prisoners affected but Mr Reyshahri said all but 900 "grouplet prisoners" would benefit. There was no mention of repentence, a condition previously observed in pardoning individual political prisoners.

"I hope the respected families of grouplet prisoners will advise their children not to take actions which would cause inconvenience for themselves and their relatives again," Ayatollah Khomeini said in reply to Mr Reyshahri.

Hundreds of non-political prisoners have been freed or had their sentences reduced this month to mark the 10th anniversary of the Islamic revolution.

Correction

The Hinduja Group

IN AN article published on February 1 dealing with Indian telecommunications, we referred to the Hinduja Group as having made its wealth from arms trading in Iran under the Shah. We have subsequently learned that this was incorrect and we apologise for any embarrassment and inconvenience caused to the Hinduja family. In fact, the group's activities in Iran covered trading in a wide range of raw materials and commodities, as well as the supply of plant and machinery for power generation and other projects.

The article also referred to allegations that the Hindujas acted as intermediaries for the Swedish Bofors group in its controversial weapons sale to India. The article should have made it clear that these allegations have been consistently denied by the Hindujas. The Indian Joint Parliamentary Committee, which examined the contract and reported in April, 1988, concluded that no intermediaries had been involved. No specific evidence has been brought out to prove that the Hindujas had been involved in this deal.

S African hunger strike grows

The Black Sash civil rights group said yesterday that 105 black prisoners in Port Elizabeth have joined a hunger strike, bringing to about 300 the number of detainees threatening to starve themselves to death unless they are freed or charged, Agencies report. Twenty detainees at the Diepkloof Prison in Soweto are in the third week of a fast. Another 53 joined the protest two weeks ago and a further 118 on Monday.

Australian court firms up anti-trust rule

By Chris Sherwell in Sydney

A LANDMARK court decision against Australia's largest company has reaffirmed the place of competition in the country's increasingly concentrated markets, and in the process buttressed the Government's anti-trust agency.

The decision was handed down yesterday by the High Court in Canberra, the highest court in the land, which unanimously dismissed an appeal by Broken Hill Proprietary (BHP), the steel, minerals and petroleum producer, against a lower court decision favouring Queensland Wire Industries.

At issue was an allegation that BHP had used its substantial market power in steel and steel products to refuse to supply "Y-bars" to Queensland Wire. Y-bars are essential components in the manufacture of steel posts used to construct star picket fences.

But the court's finding has far wider implications, not least for the Trade Practices Commission, which enforces the laws governing market dominance. It has seen the case as the first big test in years of the important Section 46 of the Trade Practices Act, which prohibits a misuse of market power.

Hailing yesterday's outcome for clarifying Section 46, Professor Bob Baxt, the Commission's chairman, declared: "In an Australian economy increasingly marked by concentration of ownership, this section of the act is critical to the preservation of real competition and especially to the interests of consumers and small business."

BHP said it was disappointed, but refused further comment until it had studied the complex 47-page judgment. The court sent the case back to the lower court to implement its orders, which are expected to include the matters of damages, costs and future market dealings between the litigants.

Labor wins in west for third time running

By Chris Sherwell

AUSTRALIA'S Labor Party, in what has been dubbed one of the greatest political escapes in history, has been returned to power for a record third successive time in the state of Western Australia.

Mr Barry MacKinnon, leader of the Liberal and National party coalition, reluctantly conceded defeat yesterday after voting trends from last Saturday's poll indicated his opponent, Mr Peter Dowding, would win a clear majority in the state's 57-seat lower house.

Counting was continuing last night, but analysts said Labor would secure a margin of at least three seats and perhaps even five after full distribution of all voter preferences. The coalition was expected to control the upper house.

The results showed Labor suffered a haemorrhaging of electoral support, giving the party a sombre warning ahead of the next federal election and polls in South Australia, Queensland and Tasmania, expected over the next 12 months. Nevertheless they added up to a repetition of the party's narrow victory in Victoria last October.

For the opposition at state and federal level, the outcome is damaging. Over the past 18 months it has managed a big victory over Labor in New South Wales, but has now lost nationally and in two states.

Limited benefit has come from the sharp swings away from Labor because the vote has either been lost in Labor strongholds or defected to minor parties – in the case of Western Australia, notably, to a new but influential group called "Greypower", representing pensioners.

The trend has implications not only for Mr MacKinnon, whose future as state opposition leader must now be in doubt, but also for Mr John Howard, who has led the coalition federally since 1985. Liberal party officials insist his position is not threatened, but many analysts feel he remains more of a liability than an asset.

Mr MacKinnon, Mr Howard and others agreed that disunity in the coalition was a big factor in its disappointing showing. Disaffection with Labor was not matched by voter confidence in the capacity of the Liberals and Nationals to govern.

Also working against the opposition were Mr Dowding's charisma, which made Mr MacKinnon seem dull, Labor's stronger financial backing, and a skilful Labor campaign to shake off criticism of "WA Inc" – the Labor government's embarrassing and costly record of involvement in and with local business.

Mr MacKinnon said yesterday there would be further embarrassing revelations in relation to the collapse of Rothwells, the Perth-based finance house. He called on Mr Dowding to stand by his promises to the electorate that his government would be fully accountable.

It was a disillusioned Mr Nick Greiner, elected Liberal Premier in New South Wales a year ago, who called the outcome in the West "one of the greatest political escapes in history". Other Liberals blamed a biased local press, owned by Labor-supporting entrepreneur Mr Alan Bond. The election, they said, was like "Watergate without the Washington Post."

Israel tries to limit effect of damaging US criticism

By Andrew Whitley in Jerusalem

ISRAEL yesterday admitted that a US Government report critical of its handling of the Palestinian uprising in the occupied territories would inflict severe damage on its public image in the West.

Foreign Ministry officials said, however, Israel felt the underlying basis of support for the Jewish state would remain unaffected.

Three more Palestinians meanwhile died yesterday – one during a prison riot – bringing the unofficial death toll over the past 14 months to more than 380. At least 14 others were injured, several of them critically, at the Megiddo Prison in northern Israel when a guard opened fire on demonstrating prisoners.

A Foreign Ministry statement said the annual State Department report on human rights around the world did not take into consideration the "overall context of events" and the "continuous provocation" in the West Bank and Gaza Strip.

Unexpected support for the document's thrust came from a former army chief of staff, Lt Gen Rafael Eitan. Gen Eitan, now a right-wing parliamentarian, said the occasions when troops were forced to open fire on demonstrators in self-defence were rare.

The restrained official response apparently reflected a high-level decision to let the storm blow over as quickly as possible. No senior minister made any public comment yesterday while a planned television interview with the army's chief spokesman was cancelled at the last minute on the orders of Mr Yitzhak Rabin, the Defence Minister.

Turning aside the unexpectedly harsh criticism of Israel's conduct, Mr Benjamin Netanyahu, Deputy Foreign Minister, said Israel was in "a state of war" directed by the Palestine Liberation Organisation, directed against Arabs and Jews alike. He claimed the PLO had been responsible for the deaths of 66 local Palestinians.

Officials argued that the scope and contents of the report had been made possible by the fact Israel was both a democratic country and an open society, in which information could be freely gathered. The implicit comparison was with other Middle East countries where human rights investigators are usually denied access to information.

Icy relationship melts in new-found Soviet-Israeli warmth

Andrew Whitley and Judy Dempsey report on diplomatic manoeuvres to restore links between Tel Aviv and Moscow

THE recent victory of Israel's basketball champions, Maccabi Tel Aviv, over the Red Army team, CSKA Moscow, in the Soviet capital represents a small but significant milestone in the rapidly improving relations between Israel and the Soviet bloc.

Basketball has done the job performed by table-tennis between the US and China during the Nixon administration. During the Six Day War in 1967 the Soviet Union, followed by all of Eastern Europe except Romania, cut ties with the Jewish state.

More than two decades later, Soviet officials are beginning to admit openly this was "a mistake" they would like to rectify.

In a meeting in Paris this month between Mr Eduard Shevardnadze, the Soviet Foreign Minister, and his new Israeli counterpart, Mr Moshe Arens, the Soviets agreed to an upgrading of the Israeli consular delegation which has been in Moscow since last July.

Senior Soviet diplomats have been in Israel for the past 18 months, ostensibly to settle outstanding issues concerning Russian Orthodox church property.

Recently, Moscow's praise for Israel over its efficient handling of last autumn's Soviet hijack escapade, and its subsequent help in connection with the Armenian earthquake disaster, has been almost embarrassingly fulsome.

Where Moscow has signalled the way, its allies, notably Poland, Bulgaria and Hungary have forged ahead, re-establishing solid trade, communications and consular ties over the past two years.

Last month, Mr Jeno Vancsa, the first Hungarian minister to visit Israel since 1967, went further. After signing an agreement on agricultural co-operation of more symbolic than practical value, he forecast full diplomatic relations could be re-established "within three or four months". This was later confirmed by the Hungarian prime minister, Mr Niklos Nemith.

Bulgaria, proud of its reputation for protecting its Jewish population during the Second World War, has similarly indicated an intention to establish consular relations with Israel shortly, together with direct shipping and air links.

The laggards of Eastern Europe in making amends are Czechoslovakia and East Germany. But even in East Berlin the ice is melting, to the extent of discussing with world Jewish leaders the question of compensation for Nazi Germany's crimes against the Jews – something the East Germans dismissed in the past.

Mr Yitzhak Shamir, Israel's Polish-born Prime Minister who has no love for communism, has modified his views considerably about the role he is willing to let the Soviet Union play in Middle East peace talks.

Although Mr Shamir insists the Soviets should restore full relations before they can play joint hosts to direct negotiations between Israel and the Arabs, the gap between the two sides has narrowed noticeably.

The most stubborn Israeli critics of President Mikhail Gorbachev's policies towards Soviet Jews have been forced to admit that changes of substance, as well as style, are taking place.

In 1988, more than 20,000 Jews left the Soviet Union. This is the highest figure since 1980, according to the Geneva-based Intergovernmental Committee on Migration, although still well below the 51,328 who left in 1979.

All of the known prisoners of conscience Israel calls "Prisoners of Zion" have been released from Soviet jails, while the backlog of *refuseniks* awaiting permission to emigrate has been drastically reduced over the past year.

The decision of barely 7 per cent of last year's Jewish émigrés to settle in Israel is deeply galling to Mr Shamir and his colleagues, but there is little they can do about it. Manoeuvres with the US and the Netherlands, which represents Israel in Moscow, to press departing Jews into coming first to the Promised Land have so far come to naught.

What lies behind this sudden rush of warmth from the Soviet bloc is not entirely clear. Mr Gorbachev clearly wants improved contacts with Israel as part of his efforts to promote an international Middle East peace conference.

Mr Aleksandr Bovin, political commentator of Izvestia, the Soviet daily, said recently: "If we are to play an even more active role in the Near East, of course we need to have representatives of our own in Tel Aviv."

Beyond that, hard currency earnings from exports to Israel are often cited in explanation. But the figures do not yet bear this out.

Israel's own motives are self-evident: springing from an anxiety to reduce the country's international isolation, especially at a time when it faces another wave of criticism in the West over the Palestinian question.

Foreign Ministry officials in Jerusalem believe the Soviet Union and its allies regard better relations with Israel as a key to a much more vital target: the US. Israel, they claim, is seen as a stepping stone towards access to US markets and financial largesse, along with World Bank and IMF assistance. Not for the first time, the imagined vast power of the Jewish lobby in the US appears to be serving Israel's interests.

The pace of trade contacts between Hungary, Bulgaria and Poland and Israel has perceptibly quickened over the past year in tandem with the improvement in diplomatic relations.

Following a visit by a Hungarian trade delegation to Israel last month, the two countries have sharply reduced customs tariffs and cut the list of goods requiring an import licence. As a result of the agreement, trade officials in Budapest say they expect exports to increase significantly.

The Hungarians, who opened a direct air link to Israel last year, are looking to purchase food processing equipment and computers from the Israelis. In 1988, bilateral trade amounted to $25m, an increase of more than $14m on the previous year.

There are signs that Bulgaria, too, has been prompted by Moscow's more flexible policy to take a more pragmatic look at trade relations with Israel. Last October, Mr Ariel Sharon, the Israeli Ministry of Industry and Trade, held talks with officials in Bulgaria, which, like Czechoslovakia, has adopted a consistently hostile public stance towards Israel since 1967.

Although the Bulgarian media released few details about the talks, an Israeli newspaper reported that the two sides had agreed to "practical means of promoting bilateral relations". According to official Israeli figures, Israel imported goods worth only $2.2m from Bulgaria last year, sending $1.6m worth in return.

Poland, which like Hungary has hosted an Israeli interests office since 1986, also expects bilateral trade to improve and is negotiating with Israel to open up direct air links.

East European diplomats suggest that the Soviet Union is not far behind in exploring ways to step up trade contacts with Israel.

N Korea calls off talks with southern MPs

By Maggie Ford in Panmunjom

A MILITARY exercise between South Korean and US troops has emerged again as a stumbling-block to progress towards peace on the Korean peninsula.

Following a strong complaint against the exercise during a high-level meeting yesterday, North Korea called off talks planned for tomorrow between parliamentarians in protest at the South's failure to respond.

The two sides had fielded top level delegations, including military representatives, at the meeting yesterday to prepare for Prime Minister's talks in the border village of Panmunjom. It followed last week's visit to the North by Mr Chung Ju Yung, the founder of the Hyundai business group.

Meanwhile, it was revealed that North Korea had joined the South in returning to the traditional date for the lunar new year this week for the first time in nearly 100 years. At the end of the 19th century, the King of the then unified Korea switched to the solar calendar under Japanese influence. Japan annexed Korea in 1910.

AMERICAN NEWS

US budget plans likely to reflect Bush ideals

By Peter Riddell, US Editor in Washington

PRESIDENT George Bush will tonight unveil his budget plans, highlighting his determination both to reduce the Federal deficit and to shift spending priorities to fulfil his "kinder, gentler nation" campaign pledge.

The proposals, to be outlined in a speech to Congress, will represent only a limited modification of the budget of the out-going Reagan Administration.

The economic forecasts, especially for interest rates, will be adjusted slightly, to bring them more into line with private sector projections. But this will not alter the administration's estimate that the proposals will reduce the deficit well below the $100bn target for fiscal 1990 set under the Gramm-Rudman-Hollings law. There is likely to be considerable scepticism in Congress and elsewhere about the administration's economic assumptions.

The President will propose limited increases in spending on education, child care, the drug programme and environmental protection, notably to clean up nuclear plants. These rises will be partially offset by cancelling the proposed 2 per cent real, inflation adjusted, increase in defence expenditure.

The defence budget will be held level in real terms in fiscal 1990 with increases of 1 per cent annually in each of the following two years. This follows lengthy negotiations over the weekend between Mr Richard Darman, the budget director, and the Pentagon.

The long-heralded cut in capital gains tax will be limited to non-depreciable assets such as stocks and be structured to benefit those holding assets for a year or two. There is uncertainty about how far the administration will build into its forecasts the assumption that this tax cut will boost revenue by $4bn to $5bn, a claim questioned by Congressional economists.

President Bush has already held meetings with Congressional leaders, including a personal visit to Capitol Hill, in the hope of winning support for his proposals.

Bush pays the price of unquestioning loyalty to a long-time Texan ally

Lionel Barber looks at the implications of the Tower debacle

MR John Tower always believed he was destined to be US Defence Secretary. It is a tribute to the force of his personality that, despite all the doubts, he managed to persuade President Bush he was the right man for the job.

If, as many expect, Mr Tower is forced to withdraw his nomination, it would mark a humiliating setback for the new President and renew questions raised about Mr Bush's judgment when he selected Mr Dan Quayle, a junior Indiana senator, as his Vice-President.

Mr Bush has always placed a premium on loyalty and Mr Tower is a long-time ally and friend in Texan Republican politics. But several of Mr Bush's closest advisers cautioned against the choice of Mr Tower when his name first surfaced after the November election. He was, in one campaign adviser's words at the time, "a busted flush".

The doubts centred on the period after Mr Tower resigned from his Senate seat in 1985. Over the following three years, barring his time as a US arms negotiator with the Soviets in Geneva, the small, tubby Texan earned almost $1m in fees as a defence industry consultant.

His clients included some of the nation's biggest defence contractors including Martin Marietta, LTV Aerospace, Rockwell and Textron as well as British Aerospace.

The problem was how Mr Tower, as Defence Secretary, could reconcile these past ties with industry contractors with the need to reduce military spending in an impending era of austerity, and do so in an impartial fashion.

It was a dilemma which Mr Tower never resolved – not least because of his earlier incarnation, while chairman of the Senate Armed Services committee, as a strong advocate of the $2,000bn military build-up under President Reagan.

Then came the personal problems. Mr Tower, the Methodist preacher's son, has always been partial to a good Scotch, and it was well known that, during a difficult second divorce, he had occasion to take the odd drink. He also liked the company of women. But his friends insist that he was a model of propriety and it is widely accepted that many of the allegations against Mr Tower stem from his second wife.

In a different age, Mr Tower may have survived the criticism. But Washington today is obsessed by ethics and political morality partly stemming from the President himself who has declared that he wants to avoid even "the perception of wrong-doing". Judged by this standard Mr Tower looked doomed from the outset.

Mr Bush failed to grasp this. Indeed, the events of the past three weeks suggest both a failure of judgment and tactics at the White House.

Senator Sam Nunn of Georgia, the Democrat chairman of the Senate Armed Services committee, said on the first day of Mr Tower's confirmation hearing that an FBI investigation had only cleared the Texan early in January.

This contradicted an earlier statement by Mr Bush who introduced his nominee in December saying the FBI had given Mr Tower a clean bill of health.

Last week, the committee heard Mr Paul Weyrich, a prominent Washington conservative, claim that he had frequently seen Mr Tower drunk.

Further allegations followed, forcing the committee to request another FBI check and a delay in the confirmation vote. The White House, sensing that the longer the delay in the vote, the less chance Mr Tower had of being confirmed, then made what looked yesterday to be a fatal mistake.

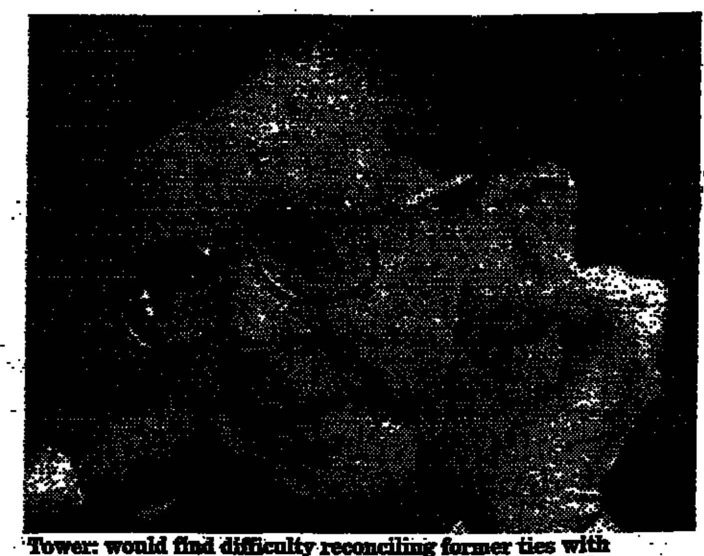
On Tuesday morning, a middle-ranking White House official gave a briefing to the minority Republicans on the committee on the latest FBI report. Senator John Warner of Virginia, the senior Republican, who until that point had presented a united front with Senator Nunn, broke ranks and called for an early vote.

Senator Nunn was outraged at this crude power-play which may have stemmed from impatience on the part of Mr John Sununu, the new chief of staff. Whatever the case, Senator Nunn rejected the Republican demands for a vote.

He then virtually killed any chance of Mr Tower being confirmed by issuing a statement saying that if a vote was taken immediately, he would vote "No".

The partisan divisions aroused by the Tower affair will take some time to heal. They represent, too, a damaging setback to Mr Bush's pledged desire for bipartisanship and co-operation with Congress.

So why did Mr Bush stick so long to Mr Tower? Two years ago, at the height of the Iran-Contra arms-for-hostages scandal, Mr Tower, heading a blue-ribbon panel investigating the affair, delivered a report which was scathing in his criticism of President Reagan but spared Vice-President Bush. When Mr Tower came calling last year for the Pentagon post, Mr Bush was well placed to make him an offer. The task for the President is now to undo the damage.



Tower: would find difficulty reconciling former ties with defence contractors with the need to cut military spending

US-German progress on control of N-exports

MR James Baker, the US Secretary of State, yesterday appeared pleased at the progress of talks with West German Chancellery Minister Mr Wolfgang Schauble on controlling the export of components for nuclear and chemical weapons, the State Department said, AP reports from Washington.

Mr Baker met with Mr Schauble, who is in charge of special tasks for the Chancellor's office, as part of regularly scheduled talks between the two allies, said Mr Charles Redman, spokesman for the State Department.

The main topic of conversation was the enhancement of West Germany's export controls, Mr Redman added.

The US has been pressing West Germany to crack down on firms selling components that can be used to make nuclear and chemical weapons, in the wake of reports that West German companies sold such items to Libya, India, Iraq and Iran.

Mr Baker last week met West German Economics Minister Mr Helmut Haussmann to discuss the same subject.

Mr Schauble is also scheduled to meet with Senator John Glenn, a member of the Senate Armed Services Committee, and with White House officials.

Trinidad and Tobago bids au revoir to prosperity

Government is having problems selling an austerity package to the country, reports Canute James

ONCE A magnanimous creditor to its poorer neighbours, and to some multilateral institutions, Trinidad and Tobago has, for the first time, been forced to borrow from the International Monetary Fund to pull itself out of an economic quagmire.

The IMF has approved a stand-by loan, following a compensatory financing agreement reached late last year. Creditor banks are expected to reschedule payments on a large part of the Caribbean republic's foreign debt.

Although Trinidadian spirits have been buoyed by the agreements which will shore up the crumbling economy, the Government is encountering increased local opposition to austerity measures which it is implementing.

Following the announcement of a 10 per cent reduction in wages to the country's civil servants, Mr Ray Robinson, the Prime Minister and Finance Minister, is being threatened with a general strike. "There are few civil servants who have 10 per cent of their salaries in disposable income," said Mr Kenrick Rennie, president of the Public Services Association. Other unions say they will join forces to oppose the measures.

The civil servants' union has taken the Government to court to block the wages reduction, and is asking instead for higher salaries and the reinstatement of an inflation-linked cost-of-living allowance which had been earlier scrapped by Mr Robinson.

Under the pressure the Government has postponed the salary cuts, which were to take effect this month, and will pay less as from February.

The need for the belt-tightening which Mr Robinson says is necessary but which promises industrial unrest, is a rapid deterioration in the public finances of the country of 1.2m people. Trinidad and Tobago depends on oil, but falling production and soft prices have caused severe contraction in the economy. It shrank by 4.5 per cent in 1986, 6.1 per cent in 1987, and an estimated 4 per cent last year. Foreign reserves ran out last July and the Trinidad and Tobago dollar was devalued by 18 per cent.

Government officials say the outlook for the economy has brightened with the prospect agreements for foreign financial assistance this year. The IMF standby loan will give the Government access to $128m, to be drawn down by the end of this year. Earlier the fund had approved compensatory financing of $109m to cover shortfalls in earnings from the oil sector.

The Government has also obtained an agreement in principle from creditor banks for the refinancing of $450m due between last September and 1992. Under a 10 year programme, the banks will grant a grace period of four and a half years and an interest rate of 9¾ per cent. With the IMF programme in place, the banks are expected to approve the new payments schedule.

But the Government is having some difficulty selling the austerity package to the country. Mr Selby Wilson, the junior finance minister, recently said that the Government's letter of intent to the IMF contained proposals for deregulation of trade which would reduce protection for some local industries, targets for increasing foreign reserves and reductions in the fiscal deficit.

"In the medium to short term there is going to be some dislocation," Mr Wilson said. "But it is inevitable. You have to adjust and when you adjust then you have to change your lifestyle."

Mr Robinson, who had earlier forecast that the country would mend its economy in three years, believes that an era which has ended, one of total concentration on the oil sector, earnings from which has pushed foreign reserves to $3bn at the end of 1982. The petroleum sector's contribution to the Government's revenues fell by a half from 1981 to just under 30 per cent.

The implementation of the refinancing package with the banks, and success in planned negotiations for new payments schedules with Paris Club creditors will ease one major problem confronting the government. Servicing foreign debt will take $474m this year, $537m in 1990 and $337m in 1991.

While admitting that there is little alternative to continued dependence on the oil sector, the Government is trying to broaden the base of the economy. Tourism, fundamental to the economies of many of its neighbours but ignored for long by Trinidad and Tobago, is now regarded as a sector which can be developed. There are also plans for the creation of free trade zones to increase foreign earnings and reduce the increasing unemployment, conservatively put at about 20 per cent.

Work has started on the exploitation of new natural gas fields to fuel the expansion of the country's petrochemical sector as part of new investments valued at $1bn which the Government wants to implement over the next three years.

The economic problems have led to increased criticism of Mr Robinson's policies from the parliamentary opposition. Mr Patrick Manning, leader of the People's National Movement, has attacked the Government's handling of the country's finances and the measures being implemented to solve the problems. He has called for new elections – a suggestion which the prime minister has ignored.

In addition to the disaffected unions, Mr Robinson can expect increasing criticism from a dissident group of the ruling National Alliance for Reconstruction which was expelled after several months of internal bickering and public criticism of the prime minister. The rebels plan to create a new political party this year.

Peruvian Navy fights fish deal

By Veronica Baruffati in Lima

THE PERUVIAN Navy has objected to the recently-signed fishing agreement between the Peruvian and Soviet state fishing companies, Epsep and Sovribe.

Strong recommendations have been made for structural changes in the original contract which, according to an unpublished navy document, violate the constitution and jeopardise national security.

The navy wants to be consulted, via the Ministry of Defence, on all future contracts with foreign powers which affect Peru's waters.

It also suggests inclusion of a clause in the contract requiring Soviet vessels to report their position daily.

WORLD TRADE NEWS

EC wins support against US trade measures in Gatt

By William Dullforce in Geneva

THE EUROPEAN Community secured widespread condemnation of punitive US trade measures in the council of the General Agreement of Tariffs and Trade (Gatt) yesterday but did not itself escape unscathed.

In a debate which focused initially on the dispute between the US and the EC over hormone-treated beef, many countries backed the contention of Mr Tran Van Thinh, the head of the EC delegation, that unilateral US trade actions, based on Section 301 of its Trade Act, were endangering the multilateral trading system.

On January 1, Washington imposed 100 per cent tariffs on European food imports valued at $100m (£55m) a year in retaliation for the EC's ban on hormoned-treated beef imports from the US.

Mr Tran Van Thinh coupled this action with similar tariffs imposed by Washington on Brazilian imports because of Brazil's alleged failure to provide patent protection for US pharmaceutical products.

Mr Arthur Dunkel, Gatt's Director-General, without naming the US, said discriminatory import tariffs were contrary to the General Agreement.

There was no exception in the General Agreement which could justify the imposition of such tariffs for the particular purpose of inducing another Gatt member to bring its trade policies into conformity with the Gatt, Mr Dunkel said.

Several countries called on the US to withdraw trade sanctions it had imposed one-sidedly without notifying Gatt or securing its approval.

Mr Michael Samuels, the US Deputy Trade Representative, retorted that unilateral action did not come from "only one location".

He cited Brussel's recent announcement that it would impose tougher "rules of origin" on semiconductors produced by Japanese companies in Europe and EC methods of assessing costs when taking anti-dumping action.

Mr Alan Oxley, Australia's chief delegate, said unequivocal support should be given neither to the EC nor to the US.

Gatt's trade-liberalising Uruguay Round and the multilateral trading system were at risk because the US and the EC were incapable of addressing systematically the most persistent cause of trade dispute between them – agriculture.

The US-EC hormones-in-meat row will be discussed in Washington on February 17-18 when Mr Frans Andriessen, the EC's new Trade Commissioner, meets Mrs Carla Hills, the new US Trade Representative.

After yesterday's debate, Mr Tran Van Thinh indicated the EC would ask for a Gatt disputes panel to examine the US retaliatory import sanctions.

Algeria to pipe gas via Morocco to Spain

By Francis Ghiles

ALGERIA and Morocco are to build a 2,000-km gas pipeline to carry Algerian natural gas across Morocco to Spain.

It will run from the gas field of Hassi R'Mel to the Moroccan border town of Oujda, through Fez to Tangiers, which lies on the Strait of Gibraltar.

The pipeline, due for completion in 1995, will be managed by a joint company in which the two governments will have an equal stake.

The agreement to build a pipeline was signed yesterday by King Hassan and Mr Chadli Bendjedid.

The project sets the seal on reconciliation between two countries which only renewed diplomatic relations last May after a 14-year break.

Gulf Interstate, a US Houston-based engineering company, is one of the Western companies approached with a view to carrying out a feasibility study.

For its part, Morocco spent $525m (£291m) importing energy last year and has nearly completed a plan to transform its generating industry from oil to coal.

Desert kingdom sells itself as tourist oasis

Frances Ghiles on economic pressures in Morocco to develop the holiday industry

TOURIST guides claim the bar of the Minzah Hotel in Tangiers is a regular haunt for the ghost of Barbara Hutton and tell visitors not to miss the room occupied by Sir Winston Churchill at the opulent Mamounia Hotel in Marrakesh.

These sights, however, have not encouraged holidaymakers to abandon European resorts in large numbers in favour of Morocco, a country which relies on tourism as a major source of foreign currency.

Morocco's tourist industry last year earned more than $1bn (£57m) as an estimated 2m foreign visitors had a taste of an Islamic culture set amid spectacular scenery in North Africa.

Tourism is established as the country's second largest source of foreign income after the $1.37bn sent home by Moroccan workers overseas. The holiday industry is expected to top the list by the 1990s, but Morocco is lagging behind its neighbours such as Tunisia, which last year attracted 3m tourists, and Spain with its annual flood of 40m visitors.

Tourism is an important source of foreign currency and has created 50,000 jobs, and has guaranteed work for 150,000 Moroccans working in catering, transport and handcrafts. Each new hotel room, costing an average Dirhams 250,000 (£17,240), creates a job and guarantees another three. It is the cheapest form of job creation, at a time when unemployment in the cities affects a fifth of the population over 20.

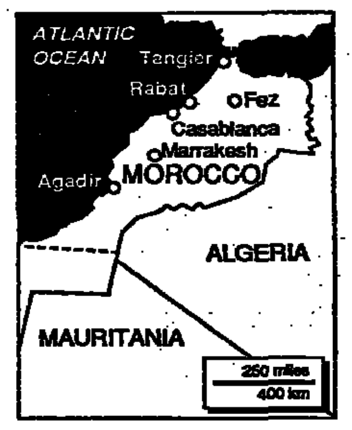
Morocco has only 65,000 hotels class beds, a fraction of the 105,000 beds available in Tunisia and the 350,000 on offer in the nearby Canary Islands. Agadir, Morocco's Atlantic coast resort, has only 16,000 hotel beds and an annual tourist turnover of 400,000 compared with 3.5m soaking up the same sun in the Canaries.

Hotel construction has been restricted by a shortage of development space but efforts are under way to release more land.

More needs to be done in Agadir and on Morocco's northern Mediterranean coast if the spread of tourists is to be more evenly spread between the interior – Saharan treks and the imperial city circuit including Fez and Marrakesh, which attracts the bulk of foreign visitors – and the coast.

Another factor obstructing the tourist industry is the cost of holidaying in Morocco. Three years ago, when the value of the Dirham was slipping fast, Moroccan resorts could compete with Tunisia, Greece and Portugal quite easily.

Since 1987, the Dirham's value has stabilised and made some of Morocco's neighbours



about up to a third cheaper. Hoteliers in Morocco argue their service and food is far superior than such competitors but only a few acknowledge the erratic value of stars awarded to hotels by the Tourism Office.

La Tour Hassan, the five star hotel which was once the pride of Rabat, has deteriorated markedly since it was privatised. Many hotels are not worth the five stars they hold. Others however, such as the Palais Salam, built in the palace of the former pasha of Taroudant, offer excellent value for money. Privatising the management of many hotels has had very mixed results.

Tourism is unlikely to boom until there is a dramatic increase in the low level of training of hotel personnel, 65 per cent of whom are under 20 years old.

There are 15 *Ecoles hôtelières* which can train 3,000 people, but more are needed. Aggressive guides – who flourish in many Moroccan cities – can turn a visitor's stay into a nightmare.

The national airline, Royal Air Maroc could also learn to treat its passengers with less contempt. Moroccans are aware of these problems, but often too proud to accept criticism from foreigners.

Greater efforts are being made to offer a wider range of entertainment to tourists. Cheap exoticism does not compensate for the closure the palaces in Fez, Marrakesh and Tangiers to visitors.

Religious buildings are, by law, closed to non-Moslems, thus making Fez far less interesting to the visitor than it might otherwise be. Trips to the High Atlas, which affords some of the finest mountain scenery anywhere are virtually impossible to organise unless planned months in advance.

Poor promotion also weighs against a faster growth in tourist receipts. The marketing of Morocco is way behind Tunisia and many Moroccans still appear to believe their country is so vastly superior to any other destination on offer that Europeans will flock to the kingdom.

Promoting Morocco should be helped by the arrival of international chains such as Trust House Forte and Sheraton which are joining the likes of Hyatt Regency to manage hotels in the country.

Since the beginning of the year all banks have been allowed to finance the building of new hotels, ending a monopoly of the *Crédit Industriel et Hôtelier*.

A fifth of all new investment is free and the banks are prepared to lend up to 60 per cent of the cost of putting up a new hotel. Building more hotels, improving the service and selling Morocco abroad at the right price is a challenge which, if met, should reap rich rewards.

Kuwait Tucano deal involves 16 fighters

KUWAIT'S deal for British-made Tucano military trainer aircraft is understood to involve 16 units and an armaments package giving capability for weapons training and counter-insurgency operations, David White, Defence Correspondent, writes.

Equipping the Brazilian-designed aircraft for machine-guns, rockets and 250lb bombs adds considerably to the purchase cost of about £1m per aircraft that the RAF is paying in the UK for its order of Tucanos. The Kuwaiti contract has been placed with Short Brothers of Belfast.

Conclusion of the deal is significant, since it had been held up by the row over Britain's demand that the Kuwait Investment Office reduce its stake in BP. ML Aviation of the UK is acting as prime contractor for weapons.

Swiss chemical exports up record 8.9% in value

By John Wicks in Zurich

EXPORTS of the Swiss chemical industry rose in value terms by 8.9 per cent last year to a record SFr 15.86bn (£5.7bn), following an increase of only 2.2 per cent in 1987.

Pharmaceuticals, vitamins and diagnostics accounted for 41.2 per cent of the 1988 total. Other major exports included organic products (12.4 per cent), dyestuffs and pigments (11 per cent), and agrochemicals (10.9 per cent).

The chocolate industry, another traditional Swiss exporter, saw a 16.2 per cent rise in its foreign sales last year in volume terms to 31,964 tonnes or almost exactly one-third of production. Its main customers are European neighbours and the US.

At the same time, the clothing industry reports an improvement in exports of 15.4 per cent to SFr 842m.

Congressmen hit at Monsanto deal

By Peter Riddell, US Editor, in Washington

PRESIDENT Bush's decision on Tuesday not to block the proposed takeover of Monsanto's silicon wafer operation by Huels of West Germany has been criticised by Congressmen favouring tighter controls on foreign purchases in the US.

Representative James Florio, joint author of the tougher scrutiny powers in last year's Omnibus Trade Act, has questioned the bearer form of the shares in Veba, Huels' parent, and said he does not understand how the president could make a decision without knowing who owned the company.

This point was not a major influence in the discussions of the Committee on Foreign Investment in the United States, which overwhelmingly backed the deal.

This was despite initial Pentagon and Commerce Department reservations on the foreign takeover of the last remaining US producer of silicon wafers used in advanced semiconductors.

Mr Joe Dennin, a lawyer with McKenna, Conner and Cuneo, which acted for Monsanto, commented, as a former committee member, that the change from its earlier form was like "night and day".

One problem, he said, was that "we are still operating without written rules and regulations. It's still being done by word of mouth – by tribal knowledge."

The White House made no mention of any conditions attached to approval of the deal.

But Huels did write to the Treasury offering assurances about research and development and defence supplies. Monsanto said the Huels acquisition represented "the best opportunity to strengthen the business and provide a strong manufacturing base and R&D effort in the US".

Louise Kehoe adds from San Francisco: Mr Bush's decision also disappointed US semiconductor industry leaders opposed to the sale on the grounds that it would increase dependency on foreign-owned suppliers.

MEMC (Monsanto Electronic Materials Company) is the only major US-owned producer of silicon wafers.

A 1987 Defence Science Board report warned that the US was becoming dangerously dependent on foreign suppliers of several critical materials for the electronics industry. Since then, the issue has become more critical, industry experts say.

President Bush's decision represents the first significant political setback for the US semiconductor industry in several years, raising concern that the new Administration may be less sympathetic to its cause.

Hills to push for open markets with Brussels

By Nancy Dunne in Washington

MRS Carla Hills, US Trade Representative, had a message for Europe on her first full day in her new role: "Keep your markets open, and the US will do the same."

Mrs Hills said the US would consult closely with the EC as it moved towards 1992. Meanwhile, she viewed with disfavour foreign investment restrictions, believing that the US, with "enormous" foreign investments of its own, could gain more from a global policy of open investment than it could lose from any constraints of its own.

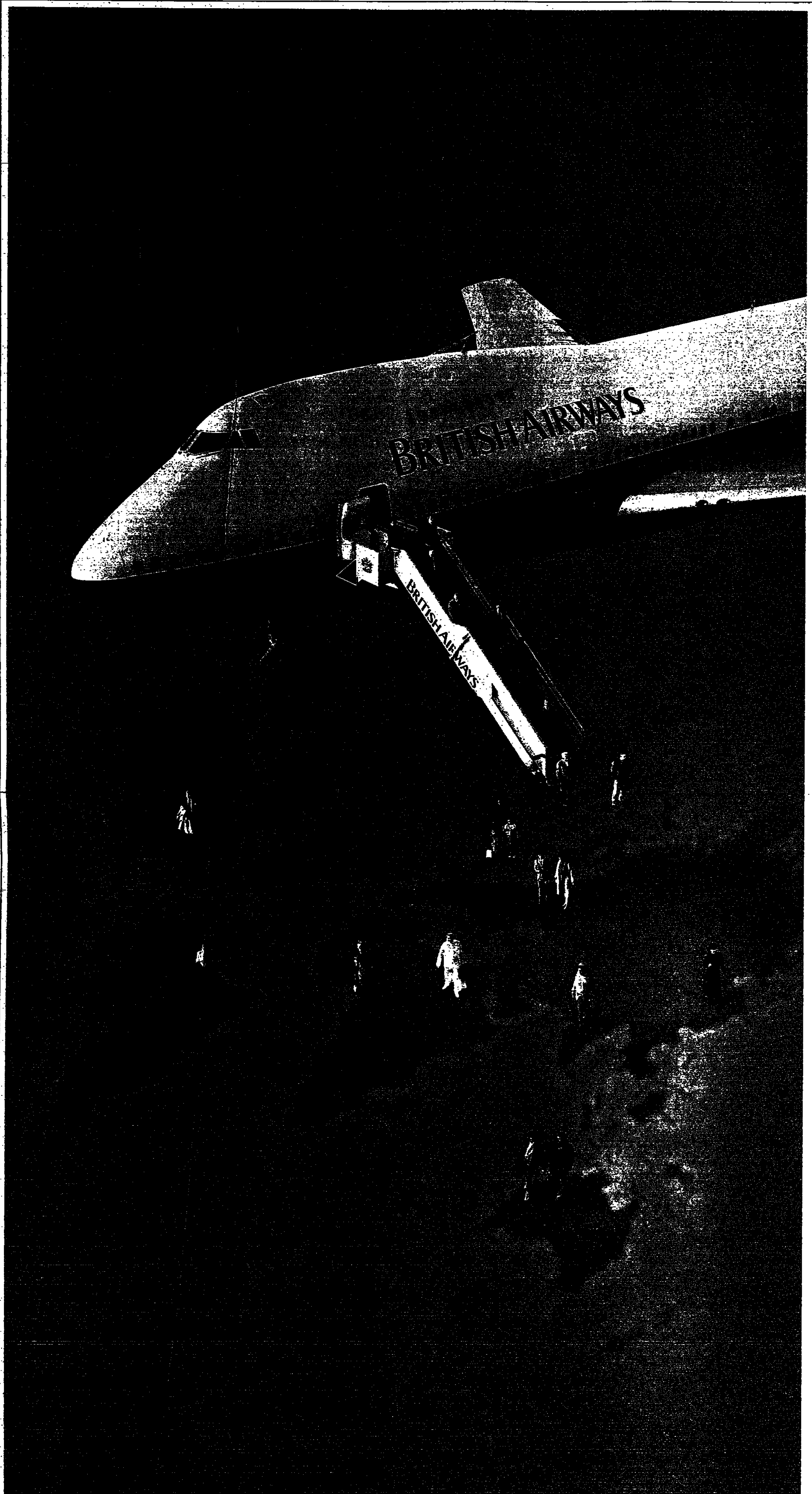
Mrs Hills steered clear of specifics on trade disputes, but was appreciative of policy consistency in a way Congress often is not. She spoke of how, as a Secretary of Housing and Urban Development, she was ordered by two congressional committees to pursue opposite courses.

Embracing President Bush's view of "a government of inclusion, not exclusion", she hopes to develop "sensible" policies by dealing with Congress through frequent consultations. Most of all, she would work closely with her cabinet colleagues, in an Administration weighted with old friends.

"Friends can disagree, but they don't surprise people. I believe you bring an issue up early and really work it."

She would represent "all the American people, not a particular state", and implied that those interests must take into account foreign policy and national security concerns.

Mrs Hills broke no new ground on the US-EC dispute over agriculture, but insisted the Uruguay Round must not be allowed to fail.


BRITISH AIRWAYS
BRITISH AIRWAYS

UK NEWS

Reedpack and Daishowa form newsprint venture

By Maggie Urry

A JOINT venture has been formed by Reedpack, British office products, paper and packaging group, and Daishowa Forest Products, Canadian paper group, to build a £200m newsprint machine in Aylesford, Kent, south-east England.

Demand for newsprint is strong in the UK because of new newspaper launches and increased pagination. About 70 per cent of the UK's demand for newsprint is imported.

A detailed feasibility study is under way, and the partners said yesterday there was a strong chance that the decision to go-ahead would be taken in the autumn. Mr Paul Allingham, chief operating officer of Daishowa Forest Products, said: "We have done the internal work and the returns are there."

The machine, which will eventually produce 240,000 tonnes of newsprint a year entirely from recycled paper, will take up to 2½ years to build.

It would add to other planned increases in UK newsprint capacity. Shotton Paper, owned by United Paper Mills, a Finnish group, is starting up a second machine in the early autumn of this year.

North British Newsprint is close to completing plans to build a 200,000 tonne machine in Glasgow. If that goes ahead Kajaani, another Finnish paper-maker, will have a major shareholding. Existing machines can also be made to run faster.

UK NEWSPRINT CAPACITY (tonnes)

Company	1988	Potential[1]
Reedpack	65,000	340,000 by 1994/95
Shotton Paper	200,000	380,000 by 1990 rising to 430,000-plus
Bridgewater Paper	265,000	270,000 by 1989
North British Newsprint		200,000 eventually following start-up in 1991
Total	530,000	1.24m
Estimated UK consumption	1.8m[2]	

[1]Potential production for existing and planned machines

If all these plans come to fruition, UK newsprint capacity could rise from about 30 per cent of consumption to 50 per cent, depending on consumption growth, squeezing out some imports. Last year consumption rose by about 6 per cent but if that rate of growth slowed there could be stiff competition in the market.

Mr Peter Williams, chief executive of Reedpack, said: "There is going to be a period of over supply. We hope to come on stream just as that period ends." He estimates the market will have grown to more than 2m tonnes a year by the time his machine is ready.

Reedpack was formed by a £608.6m management buy out from Reed International last year. Daishowa Forest Products was Reed's North American operation which it sold to Daishowa Paper of Japan, at about the same time for £284m. Mr Williams was formerly head of the Canadian company. Daishowa Forest Products still supplies some newsprint to the Mirror newspaper, once owned by Reed.

The 50:50 partnership would involve Daishowa Forest Products putting in cash while Reedpack would contribute assets, in the form of the use of space and services in its huge Aylesford site where Reedpack already has three paper machines. Reedpack has high debt levels and the feasibility study will consider how to finance the project.

The site has advantages in being close to London providing a good market for newsprint and ample paper for recycling.

The use of waste paper as the sole raw material is still rare in newsprint making.

Scottish oil group sells US subsidiaires

JOHN WOOD Group, the privately owned Aberdeen oilfield services company, has sold two US subsidiaries to Computalog Gearhart, a Canadian company, writes James Buxton.

The deal, worth $21.5m, gives to the group an eventual 10 per cent stake in Computalog, which specialises in wireline services, the electronic monitoring of gas and oil wells.

Wood Group Wireline Products and Penwood Services are to become part of Computalog Gearhart in return for $11.5m in cash and $10m in secured convertible debentures in Computalog. These on conversion will give Wood Group 10 per cent of Computalog's equity. Mr Ian Wood, Wood Group's chairman, is joining Computalog's board.

Computalog, a quoted company, intends to develop Wood Group Wireline Products and to expand overseas in the North Sea, Europe and elsewhere. Wood Group will manage Computalog's activities in the North Sea.

Wood Group keeps its stake in Swaco Geolograph, a venture with Dresser Industries.

New Sunday newspaper postpones launch day

Sunday Correspondent, the planned new quality newspaper, has decided to postpone its launch until the autumn because it has taken longer than expected to raise £16.5m in funding, Raymond Snoddy writes.

The decision to postpone comes as the paper moved closer to its financial target with a commitment from The Guardian and Manchester Evening News, the holding company that publishes The Guardian, to invest £2m in the project. It is still £2.5m short of its target. More than 13 investors, many of them blue-chip venture capital groups, have already committed to the project.

Backers include Prudential Venture Managers, Global Investment Trust, Framlington Trust, Hambro's and Barclays De Zoete Wedd Investment Management.

The recently-launched Independent newspaper moves towards flotation on the Unlisted Securities Market early next year.

Shareholders have been told that barring unforseen circumstances the directors will recommend going for a listing in the first quarter of 1990 after the accounts for the year to September 30 1989 are available.

Shipyard debts

Hall Russell, the Aberdeen shipbuilders, the last remaining shipbuilding facility on the Scottish east coast, went into receivership last November with debts of £10m. Unsecured trade creditors would receive nothing, Cork Gully, the receiver, said.

Switch to Scotland

Magna, a plastics moulding manufacturer based in West Berlin, is to establish a £1.8m plant in the Scottish Highlands. It is setting up a manufacturing plant in the Invergordon enterprise zone, north of Inverness, with £300,000 grants from the Highlands and Islands Development Board.

Savings rate stable

Britain's rate of national savings – the sum of private and public savings in the economy – has been stable throughout the 1980s, the Treasury said.

The savings level was similar to France and Canada and substantially higher than in the US, it said. However, it was well below the levels in Japan and West Germany.

Sun Oil discovery

Sun Oil Britain has discovered oil in the central North Sea about 135 miles west of St Fergus, just to the north of the Montrose field. The find came in Sun's first exploration well in the area.

Lancia franchise

Fiat Auto (UK), the Fiat wholly-owned British importer, is regaining control of the Lancia car franchise held for the past six years by Mr Gerald Ronson's Heron Corporation.

The move comes as Lancia sales in the UK are rising. Fiat plans a wider dealer network.

Steel record

British Steel's Llanwern works at Newport, South Wales, has hit a record 1m tonnes of continuously cast (concast) steel slab within 10 months of the £47m plant coming into production.

This is the fastest time any European works has reached the 1m tonne mark. Concast is the process by which hot liquid steel is turned solid.

BANK OF ENGLAND BULLETIN

Gloom for gilt dealers, boon for investors

By Simon Holberton

THE BANK of England's analysis and description of the gilt-edged securities market two years after the Big Bang deregulation is largely about the past. The sub-text, however, is that there are still too many primary dealers to make the market a going concern.

The scale of the losses incurred collectively by the market makers is a staggering £190m in a little over two years. These losses have reduced the capital dedicated to supporting a market in gilts to £420m, from the £610m that has flowed into the market since October 1986.

Moreover, there is little indication from the Bank's review to suggest that the situation is materially better, despite the fact that losses have been pared from around £4m a week in mid-1987 to under £2m a week for the last nine months of 1988. If that rate is sustained this year another £100m will have been lopped off the market's collective capital.

The good news in the Bank's analysis of market maker profitability is that there is now a greater positive correlation between market share and trading profitability. The bad news is that there is no such correlation after costs have been apportioned: market share is still too costly to service.

Most people in the gilts market during the run up to Big Bank knew survival would be hard. Some reckoned on making early losses and breaking even in the medium-term. Many still marvel at what possessed their managements to throw so much money at what was patently a losing proposition.

None, however, could foresee the remarkable turnround in the Government financial position which, in less than a year, required the Bank no longer to issue stock to finance a public sector deficit but to buy it back to neutralise the contractionary effects on the financial system of a massive surplus.

From dealers' point of view, this change in the Government's financial position could not have been worse, and it is this which will bear most heavily on those who remain market makers. The change has meant that the Bank has to buy back a sizeable amount of stock and this has in turn affected the price of long-term Government debt, generally by making it more expensive.

The buy-in programme has also meant that there will be no new issues in the foreseeable future; and these were the market's lifeblood, generating turnover and price movements.

The combination of the stock buy-in, the lack of new issues, and the support to prices offered by the market's knowledge that the Bank is a buyer of stock, have all worked to reduce volatility and, to some extent, turnover.

Longer-term, the outlook for dealers is worrying. Mr Alex Monas, of Daiwa Securities, said: "If the Government is a large buyer then someone must be a net seller. We are no longer talking about how much institutions will allocate to te purchase of gilts but how much they are taking out."

But however bad for dealers, the past two years have been a boon for investors. In many, perhaps the most important, respects the new gilts market has been a success.

The costs of buying and selling gilts have fallen by 60 per cent; deals can be made much faster and bigger deals can be executed than pre-Big Bang.

Investors have also been offered a far wider and more evenly balanced range of institutions with which to deal. As the Bank makes plain, although it did not name them, in the pre-Big Bang market, two jobbers (Wedd Durlacher and Mordaunt, and Ackroyd and Smithers) controlled 75 per cent of the market.

The six biggest companies now do 45 per cent of the business, the six smallest 10 per cent and the other 10 dealers do the remaining 45 per cent of the business. The results of a Bank survey of big institutional investors showed that the big investment companies typically dealt with between six and ten dealers regularly.

This all supports the Bank's central view that the Big Bank reforms have been positive for the gilts market. The extent to which this favourable position for investors continues is, however, conditioned by the health of the market. The medium-term outlook is not good. At the current rate of debt redemption the stock of outstanding gilts will halve from around £135bn to under £70bn in five years.

Spending on EC takeovers set to reach record level

SPENDING ON takeovers in the European Community by UK companies is likely to have hit a record level in 1988 and is set to continue rising in the run-up to 1992, according to a paper in the bulletin, writes Ralph Atkins.

If US takeovers are excluded, most acquisitions by UK companies are made in Western Europe, the Bank says. In 1987 takeover expenditure in these countries reached £1.2bn and was probably higher last year.

However, overseas acquisitions by UK companies in the last three years have been dominated by takeovers in North America, accounting for almost 80 per cent of expenditure.

The paper says that since 1986, overseas acquisitions by UK companies have outnumbered acquisitions in the UK by overseas companies by more than seven to one and have been almost three times as large in terms of expenditure involved.

The Bank says the creation of a single market in Europe from 1992 is likely to extend the trend rise in takeover activity in the EC. However, this growth will be modest.

The Bank estimates the average size of transactions in the EC at £10m has been only about about a quarter as large as in the US.

The activity of US companies in the UK has been modest, it says. Since the beginning of 1986 there have been 47 acquisitions, mostly relatively small, and the value of disposals by these companies in the UK has exceeded the value of their acquisitions.

Accountants prepare second JMB payment

By Richard Waters

ARTHUR YOUNG, one of the UK's leading accountancy firms, is set to make a second substantial payment to settle claims arising over its audits of Johnson Matthey Bankers, which was rescued by the Bank of England in 1984.

The payment is expected to bring the total cost of settlements to nearly £50m. The auditors paid £25m to the Bank of England late last year, and are now thought likely to agree a similar figure with Johnson Matthey, JMB's parent before it was rescued by the Bank of England.

Johnson Matthey put £50m into its banking offshoot before selling it for a nominal amount to the Bank.

The two payments are by far the largest amounts paid out by accountants in the UK to settle damages claims arising from audit work.

Mr Peter Edwards, managing partner of Arthur Young, would confirm yesterday only that talks with Johnson Matthey were still progressing and were likely to lead to "a substantial settlement."

He added: "Until a deal is signed, sealed and delivered, it's not a deal."

However, the substance of the settlement is believed to have been agreed and Arthur Young expects to announce the details by the end of this week.

The two payments are thought to be largely covered by Arthur Young's professional indemnity insurance.

However, the firm's partners, who are personally liable for any claims against the partnership not covered by their insurance, will have to pay something towards the cost.

The insurance policy is believed to carry a "deductible", not covered by the insurers, of as much as £1m.

Mr Edwards said that it was still unclear whether the firm will have to pay the deductible only once (because both claims relate to the same affair) or twice.

"It will take a lawyer to tell me that. But it's not something we have discussed yet with our insurers," he said.

The cost will be borne by the partners of the firm in the years 1981-84, when it audited JMB, and who numbered about 200.

Midlands pit to shed 550 jobs

By Maurice Samuelson

THE Nottinghamshire coalfield in the Midlands yesterday bore the brunt of the latest wave of redundancies sweeping the British coal industry.

Mr Len Harris, British Coal area director, called for 550 redundancies at the loss-making Cotgrave colliery and said the future of the pit and its remaining 800 men would be reviewed in a year.

The announcement is part of an accelerated efficiency drive which is expected to cost 15,000-20,000 jobs throughout the industry by March 1990. That would leave British Coal with fewer than 70,000 miners, compared with more than 207,000 in 1982-83.

On Monday, Mr Cecil Parkinson, Energy Secretary, formally abandoned the hope that British Coal could break even this year when he announced probable losses of £100m, and more to follow next year, as the cost of its restructuring.

Mr David Prendergast, financial secretary of the Union of Democratic Mineworkers, said the union would meet with workers on Sunday to decide their next move.

Commerical vehicle sales jump

By Kevin Done, Motor Industry Correspondent

UK commercial vehicle sales jumped by 15.48 per cent in January to 33,352 from 28,880 in the same month of 1988 with continuing strong demand in all sectors of the market.

Sales of trucks above 3.5 tonnes showed the biggest increase with a rise of 20.28 per cent to 6,442, but sales of small and medium vans also rose sharply.

Ford strengthened its domination of the van sector, increasing its sales of car-derived vans by 37.3 per cent and capturing 32.9 per cent of the market in January compared with 27.5 per cent a year ago, when its UK plants were hit by unofficial industrial action.

Freight Rover, the UK subsidiary of DAF of the Netherlands, recovered from a weak domestic performance last year with an increase of 44.4 per cent in sales of its Sherpa van range, while Bedford (General Motors) lost market share in both small and medium vans.

Iveco Ford, the UK truck market leader, marginally lost market share in trucks above 3.5 tonnes despite an 18.6 per cent increase in sales volume and was outpaced by second – placed Leyland DAF, the UK subsidiary of DAF of the Netherlands.

The main loser in the UK truck market remained Renault Truck Industries, which suffered a drop of 16.8 per cent in sales and a slump in its market share from 8 per cent to 5.5 per cent

Iveco Ford's weakness in the heavy truck sector, above 15 tonnes, was underlined with a rise in sales of only 2.2 per cent and a drop in market share to 7.7 per cent from 9.1 per cent a year ago.

Scania of Sweden recovered strongly from the strike of a year ago with a jump in heavy truck sales of 54.6 per cent to capture 12.6 per cent of the market, while ERF, the only publicly-quoted UK truck maker, continued its surge with an increase of 29.6 per cent to capture 11.7 per cent of the heavy truck market.

UK COMMERCIAL VEHICLE REGISTRATIONS JAN 1989

	Volume (Units)	Volume Change (%)	Share (%) Jan 89	Share (%) Jan 88
Total Market*	33,352	+15.48	100.00	100.00
Imports	13,126	+16.46	39.36	39.03
Small vans (up to 1.8 tonnes)				
Total	10,925	+14.69	100.00	100.00
Imports	3,253	+13.19	29.78	30.20
Ford	3,597	+37.29	32.92	27.53
GM (Bedford)	2,853	+1.86	26.11	29.43
Rover Group	1,780	+15.36	16.29	16.21
Peugeot (incl. Citroen)	960	-0.72	8.79	10.16
Renault	521	+11.56	4.77	4.91
Medium Vans (1.81–3.5 tonnes)				
Total	13,895	+15.66	100.0	100.00
Imports	6,204	+23.39	44.6	41.63
Ford	6,681	+16.70	48.0	47.40
DAF (Freight Rover)	1,444	+44.40	10.3	8.28
Renault	1,013	+22.64	7.2	6.84
Mercedes-Benz	905	+28.19	6.51	5.85
Peugeot (incl. Citroen & Talbot)	779	+8.34	5.61	5.95
GM (Bedford)	726	+0.83	5.22	5.96
Nissan	707	-22.39	5.09	7.54
Trucks (over 3.5 tonnes)				
Total	6,442	+20.28	100.00	100.00
Imports	2,727	+22.84	42.33	41.45
Iveco Ford	1,420	+18.63	22.04	22.35
DAF (Leyland DAF)	1,284	+23.94	19.93	19.34
Mercedes-Benz	875	+7.10	13.58	15.25
Volvo	754	+17.45	11.70	11.99
Renault (RTI)	356	-16.82	5.53	7.90
Of which Heavy Trucks (over 15 tonnes)				
Total	3,564	+19.52	100.00	100.00
DAF (Leyland DAF)	726	+15.97	20.37	20.99
Volvo	698	+17.51	19.58	19.92
Scania	450	+54.64	12.63	9.76
ERF	418	+29.66	11.72	9.86
Mercedes-Benz	352	+5.40	9.88	11.17
Iveco Ford	277	+2.21	7.77	9.09

*Includes buses and light four wheel drive utility vehicles
Source: Society of Motor Manufacturers and Traders and Industry estimates

UK NEWS

Hurd seeks more funds to raise police manpower

By Philip Stephens and Alan Pike

MR DOUGLAS Hurd, the Home Secretary, said yesterday that he plans to seek additional funds from the Treasury to provide another "substantial increase" in police manpower over the next few years.

His comments followed last week's news that Mr Kenneth Clarke, Health Secretary, will be bidding for significant amounts of extra cash to smooth the introduction of his planned reforms of the National Health Service.

Taken together, the two bids mark an unusually early start to the traditional annual wrangling between the Treasury and big government departments over spending plans for the following three years. Typically those talks do not start until the summer, with final decisions reached only at the time of the Autumn Statement on the economy.

Mr Hurd, who was speaking during the campaign for the by-election in Richmond, north east England, made it clear that the increased police manpower could not be financed by the Home Office's allocations in the public spending White Paper published two weeks ago.

He also stressed that the increases would be over and above the expansion of 1,100 in regional forces which he announced recently. The Home Office has to pay about 50 per cent of the cost of increases in police numbers, with the remainder financed by local authorities.

Mr Hurd said that Mr John Major, the Chief Secretary to the Treasury, had agreed that he could put in a bid for the extra money.

Chief police officers have been putting Mr Hurd under heavy pressure to increase manpower during recent months. Last October Mr Roger Birch, chief constable of Sussex, warned the Home Secretary on behalf of the three organisations representing all ranks in the force that the police were "losing control on the streets and beginning to lose public support."

Police strength has grown by more than 13,000 since 1979 and the Government is encouraging greater use of civilian staff in clerical and control-room duties, to release police officers for operational work.

Soviet Union to sign trade finance deal

By Peter Montagnon, World Trade Editor

AFTER months of blowing hot and cold on the question of export credits from the West, the Soviet Union was due last *night to sign a trade finance* protocol with a group of seven leading British banks.

The signing, due to be hosted in the glittering surroundings of Lancaster House by Lord Young, Secretary of State for Trade and Industry, is seen in London as a renewed affirmation of the Soviet Union's determination to boost its trade links with the UK.

It marks the centrepiece of a visit to the UK this week by Mr Vladimir Kamentsev, chairman of the Soviet Foreign Economic Relations Commission and senior trade official.

Bankers involved in prepar*ing the protocol said the sud*den decision to sign a high profile arrangement followed top-level pressure from the Soviet Union itself, believed to stem directly from Mr Mikhail Gorbachev who will visit the UK in April.

Last year the Soviet Union began talks on a £1bn trade credit from the UK, but its officials later backed away after the affort generated embarrassing publicity about Soviet foreign borrowing levels. Because of this no actual figure was being put on yesterday's protocol.

The decision to revive the *loan project, albeit watered* down, surprised many London bankers this week. A final decision to go ahead was taken only late on Tuesday night and the Government's interest in concluding such a deal was underlined by the fact that Lancaster House was made available for the ceremony at short notice.

The protocol will formalise the bilateral financing agreements reached by UK banks with the Soviet Union late last year in one single document but Mr Campbell Dunford, chief executive of Moscow Narodny Bank, said it was "a *very powerful statement of* intent at the most senior (Soviet) levels to increase trade with Britain."

UK exports to the Soviet Union last year were only £512m giving the Soviet Union a bilateral surplus of £320m.

London banks involved in the protocol are Bank of Scotland, Barclays, Lloyds, Midland National Westminster and Morgan Grenfell. The Soviet Bank for Foreign Economic Affairs is participating.

Government bans mineral oil additives in food

By Christopher Parkes, Consumer Industries Editor

THE GOVERNMENT is to ban *the use of mineral oils in food*stuffs.

The Ministry of Agriculture outlined its plans in London yesterday at a meeting called at only 24 hours' notice. A statement is expected today in the House of Commons.

Mineral hydrocarbons are commonly added to bread, confectionery, jellies, sausages and used in rinds on cheeses such as Gouda and Edam. They are *also applied to citrus fruit and* raisins and currants.

Their use in chewing gum and packing materials is being *reviewed separately.*

The ministry told representatives of the British Retailers' Association that it had decided to ban the additives because tests on animals had shown that they accumulated in the liver, spleen, lymph nodes and other organs and caused "tissue damage" at low dose levels.

It added that there were no proven toxic effects on *humans, although* there was evidence that the oils accumulated in human organs.

Goldman Sachs deals top US-UK mergers table

By Fiona Thompson

GOLDMAN SACHS, the US *investment bank, was the top* bank adviser, by value, for mergers and acquisitions in both the UK and the US last year, according to an Extel/IDD survey published yesterday.

The total value of Goldman Sachs' UK deals was £8.32bn.

But in UK volume terms, Goldman Sachs slipped to 19th place, with just 12 deals. J Henry Schroder Wagg came first with 60 deals and second *in value terms with £8.24bn.* County Natwest advised in 59 deals and notched up third place in value with £5.34bn.

In the US, Goldman Sachs was first in value terms with $93.4bn and second in number of deals with 158. First Boston came second in value terms with $78.2bn for advising in 153 deals. Shearson Lehman recorded the highest number of deals, 211, and came third in value terms at $74.1bn.

There were 3,637 merger and acquisition transactions in the US last year, worth a total of $313.3bn.

The total value of all 1,825 UK transactions was £34bn.

Brent Walker takes 10.8% stake in breakfast television

By David Waller and Ray Bashford

BRENT WALKER, the fast-moving drinks, leisure and property group, surprised the London stock-market yesterday with the announcement that it has taken a 10.8 per cent stake in TV-am, the television company, worth £12.6m at yesterday's closing price.

The shares were acquired from two companies ultimately controlled by Saudi Arabian interests. The holding was the centre of a controversy in February last year when the Saudi Arabian involvement was disclosed.

Mr Timothy Aitken resigned as chairman of TV-am and Mr Jonathan Aitken, the Tory MP resigned from the board following the disclosure that the *Saudi Arabian were the chief* backers of Beaverbrook Investments, one of the companies sold to Brent Walker.

Mr Jonathan Aitken at the time admitted "an error in judgement in putting to high high a priority on the confidence of clients" and was forced to reduce the holding from 15 per to 10 per cent. The 10 per cent holding was then disenfranchised.

*Discussions with several par*ties interested in acquiring the holding have been held since last February and TV-am is understood to have been in regular contact with Mr Jonathan Aitken about how plans for the disposal were progressing.

The sale of the holding is part of a major restructuiring in TV-am's ownership which has been in progress for sveral months. Mr Alan Bond the Australian businessman recently sold his 15 per cent and a part of Elders, the Australian brewing and rurtal company on Tuesday announced that it had acquired a 7 per cent holding.

TV-am shares rose a further 2p yesterday to close at 180p.

Brent Walker said that the the latest deal was unlikely to *lead to a bid. According to the* company, it was part of the strategy of building up Goldcrest, the film production outfit bought by Brent Walker in the summer of 1997. No further details were available.

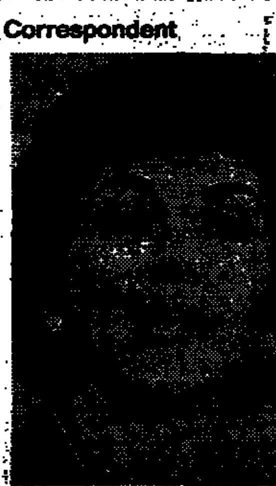
The latest move from Brent Walker caused much despondency among stockbrokers' analysts, coming as it did barely two months after Brent Walker made a controversial *move into the drinks business* with two acquisitions worth a total of £500m.

Edwina survives grilling on eggs without a crack

By Michael Cassell, Political Correspondent

THE QUEUE in Westminster's Great Hall, the setting for some of the great set-piece trials in British history, began to form nearly three hours before Mrs Edwina Currie, the former junior health minister, arrived to face her own inquisition.

Having finally succumbed unwillingly to the formidable invitations of her parliamentary colleagues to attend a meeting of the House of Commons Agriculture Committee and to answer for her own role in the controversy over claims that the salmonella virus was widespread in Britain's egg production, she was about to follow in the footsteps of Guy Fawkes, Charles I and Warren Hastings.



Currie: 'I know what I said'

She found herself subject to such scrutiny after having claimed before Christmas that "most" of the country's eggs were infected with salmonella. A claim which, in the end and after much controversy, cost her ministerial position.

As the queue for admission to the Grand Committee Room lengthened, so the rumours and likely scenarios spread. Would the first question from Mr Jerry Wiggin, the chairman of the committee, be: "When did you last see an omelette?."

Would the great communicator, the "typhoon in a twin-set", the "Cruella Deville" of contemporary British politics, wear a woolly hat – as she had once suggested pensioners do to ward off the cold – or dressed as a chicken?

Mr Kenneth Clarke, the Health Secretary, and Mr Ian MacGregor, the Agriculture Minister, arrived first to give their own account of the affair. Mr Clarke asked if the press had to pay for tickets, or if they were selling them.

The proceedings began with great expectation but rapidly deteriorated as committee members asked the sort of detailed questions which ministers are obliged to answer but to which no-one is obliged to listen.

As Mr Clarke and Mr MacGregor attempted to shed light on the affair, making it clear that neither had sought or supported Mrs Currie's resignation, ashen-faced political columnists with spaces to fill showed the first signs of panic.

Events were moving slowly and Mr Robin Cook, Labour's health spokesman, seated on a raised platform behind the committee, cupped one hand over his eyes to effect concern but to hide drooping eyelids; the ploy failed when his elbow gave way. And then, Mrs Currie arrived, sweeping through the heavy curtains which hung across the door like those on a stately bed. This, however, was to be no love-in.

Only one of the committee had dissented from the previous day's ultimatum to attend. Even the press, by whom she had prospered, appeared hostile. Only the night before she had used very unparliamentary language to decline their attentions.

Dressed in black velvet, defiant and unsmiling, she sat alone in the centre of the row reserved for witnesses and heard Mr Wiggin welcome her decision to attend, thereby "avoiding an extremely unpleasant dust-up".

Mrs Currie proceeded to answer her questioners with sufficient civility to keep her on the correct side of contempt. As for the committee, having devoted most of its energies to hauling her in front of them, few of its members appeared to prepared any meaningful questions.

With the stony glare of Oliver Cromwell peering through the window, Mrs Currie's responses were curt and considered. She had not set about setting the record straight on her remarks because her claims that most egg production was infected with salmonella had been misinterpreted.

She told MPs: "I know what I said. I attempted to clarify what I said to this committee. I do not have to comment on anything I did not say".

Having assured the committee that her book would be confined to health matters and not to the affair which stopped her ministerial career and wrought havoc in the egg industry, she left to make her way back across the Great Hall. The press kept up with her, on the off-chance that one of the greatest self-publicists in politics might still crack.

International Press Distributors

IN OUR issue of January 21, 1989, we reported under the heading "Papers press ahead across the Channel" that International Press Distributors, the UK-based press distribution group, had been closed during January 1989.

In fact, IPD, although no longer supplying newspapers to distributors abroad, continues to be the major distributor of British magazines abroad and remains the sole distributor of newspapers and magazines to the British Forces not only in West Germany, but also in Cyprus, Falkland Islands and elsewhere in the world.

We apologise to IPD for our inaccuracy.

Spotlight falls on the Cinderellas

David Fishlock finds that the role of contract research has been underestimated

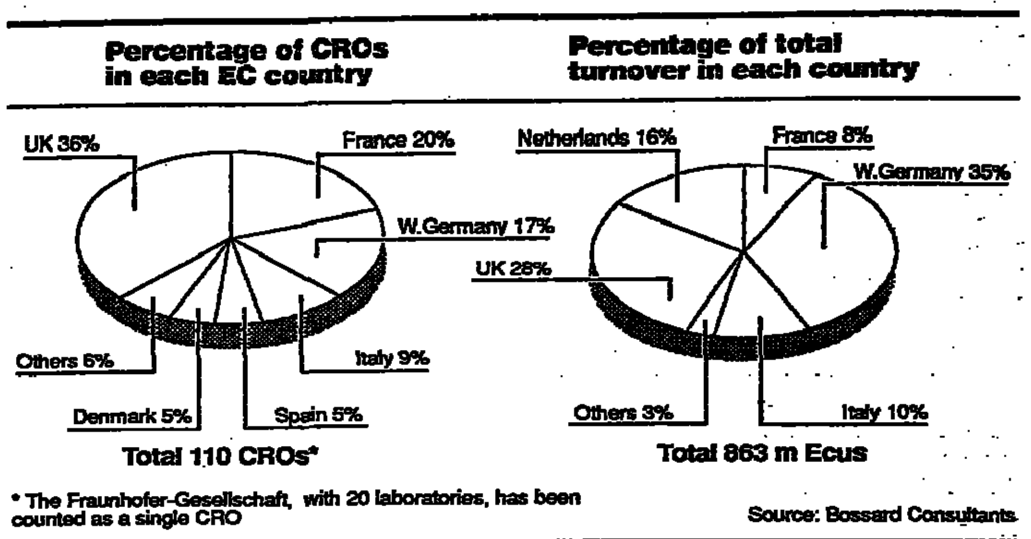
Research done out of house, by contract, makes a far more important contribution to industry than has hitherto been recognised, according to a study just completed for the European Commission.

The report, by Bossard Consultants of Paris, is part of the Commission's efforts to facilitate the transfer of technology from academe to industry under the Sprint (strategic programme for innovation and technology transfer) initiative.

Industrial research performed by outside organisations under contract has long been controversial. Some corporate research executives see it as a threat; some managers view it as an alternative way of tackling problems which their scientists have failed to solve. Contract research also has something of a Cinderella image as the poor relation of corporate in-house research and development (R&D).

For their part, the contractors have two grumbles: that they are only thrown the problems that have defeated corporate researchers and that they suffer "unfair" competition, mostly from universities or government laboratories.

The Bossard study, commissioned by Michel Carpentier, the Commission's director-general responsible for telecommunications, information industries and innovation, uncovered 129 contract research organisations (CROs) in the Community. Each earns more than 30 per cent of its income by doing research for other concerns. Their combined turnover in 1986 was £863m (£552m).



* The Fraunhofer-Gesellschaft, with 20 laboratories, has been counted as a single CRO

Source: Bossard Consultants

Britain and West Germany each has 38, although many of the German ones belong to the same parent body; France has 24, Italy 10 and Denmark and Spain six apiece. The Netherlands has three, Belgium two, Ireland and Portugal one each and Greece and Luxembourg none. Sixteen had an annual income of more than 10m Ecu.

The biggest CRO is IAGB-Industrienlagen-Betriebsgesellschaft mbH, of West Germany, with a turnover of 140m Ecu, two-thirds for contract research dominated by defence. Defence and the universities apart, Fraunhofer Gesellschaft, with a score of research centres, is the cornerstone of West Germany's contract research – its 1986 earnings were more than 100m Ecu.

In the Netherlands, TNO has 5,200 staff in 30 institutes and an income close to that of IAGB. It is run as a private undertaking backed by generous public subsidies.

In France, Bertin, earning nearly 30m Ecu, has half the market for contract research. The Italian scene is dominated by ISMES, CISE and CESI, each with an annual income exceeding 20m Ecu.

Britain has seven CROs with incomes exceeding 10m Ecu. Huntingdon Research Centre is the biggest, earning 39m Ecu for contract research. Most of its clients are large overseas companies with 70 per cent of turnover outside the UK and 40 per cent outside the EC.

Britain's CROs are more independent than those of the rest of the EC and get little in the way of government subsidies, while others receive up to 51 per cent in grant aid.

Between them, these five countries account for about 97 per cent of EC earnings from contract research.

The study's revelations should bring two important benefits to industrial research, says Eric Duckworth, managing director of the Fulmer Research Institute, a CRO owned by the Institute of Physics. He is also president of the Association of Independent Research and Technology Organisations (AIRTO), the 45 members of which claimed a total income of £278m in 1988.

One benefit concerns small and medium-sized engineering companies lacking their own R&D. Duckworth says that they can now see a portfolio of opportunities for purchasing new technology "quickly and more cheaply." This also applies to larger companies which are focusing on core technologies in-house and buying in other technology.

The second benefit foreseen by Duckworth will be to make an issue of the serious problems the CROs experience with the Commission's present funding policy.

A CRO normally expects 100 per cent funding by its customer under a commercial contract. The 50 per cent funding offered by the EC for contracts linked to its programmes means that the CRO must find the other 50 per cent either from profits or from other sources, which is a drain on time, if not on money.

Duckworth says this means that CROs tend only to apply for EC research contracts if they believe it will give essential experience of an emerging opportunity.

Mostly such contracts are simply bad business for these organisations which usually do not manufacture. Their R&D tends to be an end in itself, with no profits from products to look forward to.

Duckworth believes Brussels may now be sympathetic to the idea of contributing more than 50 per cent of funding.

But what most surprised him – as a scientist who has spent 20 years managing contract research – was the combined strength of the CROs and their evident importance to small and medium-sized engineering companies.

The study has already proved a morale booster for CROs, prompting the formation of a co-ordinating agency called the European Association of Contract Research Associations.

A simpler, quicker way to track down salmonella in food

Large manufacturers of food must continually carry out routine laboratory checks to ensure that there is no salmonella infection.

Typically a big producer will carry out between 20,000 and 30,000 tests a year, for which the materials alone cost about £6 each. The test requires many analytical steps over four days and, if positive, a further three days of biochemical and serological analysis must be carried out. A faster method, taking two to three days is available, but it is complicated and requires a well equipped laboratory, expensive equipment and well trained personnel.

A more rapid and simple testing method for the detection of salmonella in food would lower inventory costs by reducing quarantine, permit testing at plant level and enable a quicker reaction to any problems.

In the US, BioControl Systems, of Bothell in Washington state, has developed a method which allows identification of positive samples in as little as 32 hours. The test takes less than two minutes to set up and no expensive instrumentation is needed. It also eliminates the biological hazard normally associated with salmonella testing.

Because of its simplicity, staff carrying out the test do not require special technical training. The test has been approved by the Food and Drugs Administration/American Association of Official Analytical Chemists for use with all food types.

Called the 1-2 Test, it consists of a small disposable plastic device with two chambers. An enriched broth of the suspect product is prepared, 0.1 millilitre of the sample is added to the device and the unit is incubated for 8 to 14 hours at 35 deg C.

One chamber of the device contains a broth (growing medium for bacteria) into which the sample is inoculated, the other a gel to which is added BioControl's flagellar antibodies.

As incubation proceeds, salmonella move into the gel and are immobilised by the highly selective polyclonal antibodies. A clearly visible band of immobilised salmonella is formed. If no band is visible, the test is negative. After use the sealed unit is sterilised and destroyed.

The cost of the 1-2 Test is about £5. It is available in the UK from Park Tonks, Abington, Cambridge CB1 6AS, telephone 0223 891721.

Tony France

Keener 'sniffers' for explosives

THE DETECTION of explosives hidden in airline luggage will soon be improved, according to Technical Insights (TI), the US market research organisation.

"Sniffer" devices are able to detect the small amount of vapour leaking from the explosives' container. But they act rather slowly.

In the February issue of its newsletter Sensor Technology, TI says that the Federal Aviation Administration (FAA) in the US has tested a fast device that is not dependent on escaping vapour. Instead, it fires penetrating particles called neutrons into the luggage, which react with the nitrogen found in virtually all explosives. The reaction produces gamma rays which pass out of the luggage and can be detected.

The FAA has ordered five of the computerised testers from the designers, Science Applications International Corporation. Since the test presents a radiation hazard, it could only be used on cargo and luggage.

In a separate announcement, Matsushita, the Japanese electrical group, claims to have reduced the time taken by its sniffing process to less than a minute. The company is using immuno-assay, which allows very small amounts of a substance to be detected through stimulating the production of antibodies.

Normally such assays take more than five hours, but Matsushita has developed a technique that allows one billionth of a gram of TNT (trinitrotoluene) to be detected in one minute.

A step up for dot matrix

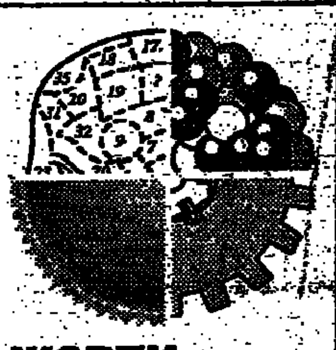
MANNESMANN Tally, the computer peripherals company based in Stuttgart, West Germany, is offering a dot matrix printer to personal computer (PC) users for only £149.

The company claims that this is the lowest priced machine available for serious PC use in the UK. Before Christmas, the company introduced a laser printer at £1,395 and in 10 weeks had won orders for more than 3,000 units worth £4.2m.

The dot matrix machine, the MT81, is being made in Japan to the design of the company's German engineers. It offers a printing speed of 130 characters per second across an 80-character line.

Characters are formed with a nine-pin print head in which the print pins have a square cross section instead of the usual round shape, giving a "fill-in" of the characters that gives results described as "near letter quality" (almost indistinguishable from typing).

Working at 26 characters per second, the machine is designed for workloads of up to 2,000 pages a month. Cut sheet or fan-fold paper can be used at will, without reloading.



WORTH WATCHING

Edited by Geoffrey Charlish

Safety use for optical fibre

HERGALITE, of Bury St Edmunds in the UK, is using optical fibres in a continuous sensing strip. This can be used as a safety cut-out device on the meeting edges of powered sliding doors, on the bumpers of automatic guided vehicles, for machinery guards and many similar applications.

If optical fibre is bent, the transmission of light down it is reduced (or rather, less light goes out through the fibre wall instead). This effect can be fine-tuned by careful choice of fibre diameter and light wavelength.

In the Hergalite system, a loop of fibre runs up and down the length of the detector. Wrapped round the fibre is a plastic spiral. If this is deformed by external pressure on the extruded rubber covering, it produces a number of small kinks in the fibre, cutting the amount of light reaching the output end of the loop. This is immediately sensed and alarms or electrical cut-outs can be activated.

The main advantages are the system's immunity to damage and wear and the fact that it is unaffected by oil and dirt. The air leaks that can develop with air operated systems are avoided and there are no electromagnetic interference problems since no current flows in the strip.

A 'black box' for helicopters

IN THE UK, Plessey Avionics and Bristow Helicopters, a North Sea operator, are developing a flight monitoring system to enhance helicopter safety. Operating and maintenance costs should also be reduced.

The equipment, called Hums (health and usage monitoring system), will satisfy the requirements of impending legislation on the fitting of accident data recorders to all helicopters weighing more than 2,700 kgs.

Hums combines the customary "black box" flight recorder with special monitoring of helicopter functions. Flight deck displays will show the state of gearboxes, engine, transmission and rotors, taking data from electronic sensors.

The data are recorded on a rugged magnetic disc which can be removed at the end of each flight for analysis. Plessey expects to make the first deliveries in 1990.

Overhead crane without rails

AN OVERHEAD, travelling crane, which does not need a conventional set of rails running the length of a building, is in production at [illegible] and Manufacturing Company of [illegible] Bay, Ireland.

Wheels are fixed on the walls of the building. Girders, which run on the wheels, are mounted under each end of the moving carriage from which the crane is suspended. The girders are long enough to span three wheels, so that the load is always properly supported on each side.

A saving on installation of 25 per cent is claimed.

CONTACTS: Technical Insights: US, (201) 568 4744. Matsushita: Japan, [illegible]. Mannesmann Tally: UK office, 0734 788711. Plessey Avionics: UK, 0705 [illegible]. Hergalite: UK, [illegible]. [illegible] Engineering: Ireland [illegible].

MANAGEMENT: Marketing and Advertising

Giving extra sparkle to the Spanish wine industry

Christian Tyler finds a family in Barcelona with designs on the champagne market

Cordon Negro was promoted heavily on UK television last Christmas

Now that Indian champagne can be bought in the shops, the idea of Chinese champagne should not be too hard to swallow.

The authorities in Yantai, a seaside resort in Shandong province in north-eastern China, have just signed a joint venture agreement with a Catalan company to make *cava* (the Spanish name for *méthode champenoise*) from local grapes.

For José Ferrer and his brother-in-law Eudaldo Hevia, who made the trip to China from Barcelona last month, it is one more feather in the family's well-plumed cap. Not only were they asked to put up some money – they are investing a modest $2.5m – but they were chosen by the Chinese from among the world's leading champagne producers.

The agreement brings the firm of Freixenet, a relative newcomer to the international market, another step further into what was once considered exclusive French territory – even in China. (Remy Martin has been in Shandong for several years co-producing a still wine called – what else? – Dynasty.)

Today it claims to be the world's largest producer and exporter of champenoise. It sells more bubbly to the US, its biggest export market, than do Moet et Chandon or Asti Spumante. In achieving this position it has created a market niche out of a handicap: cava is not quite champagne nor is it a cheap, bulk-fermented sparkling wine, yet it has had to compete with the quality of one and the price of the other.

It has also had to overcome a number of other problems. Among these are an unpronounceable Catalan name ("freshernet" is close enough); a country of origin which wine buffs for years regarded as good only for sherry, the odd *rioja* and cheap plonk; and a product that although made in exactly the same way as real champagne cannot be called by that name.

All Catalans pride themselves on their business sense. But the family that owns Freixenet has shown uncharacteristic vigour in breaking out of the isolationist mentality that General Franco bequeathed to Spanish industry. Having decided in the early 1980s to sell abroad, the family now claims to account for 70 per cent of all *cava* exports from Spain.

But then the Ferrer family is somewhat unusual. "Freixenet" means "little ash-tree" in the Catalan language, and was the nickname of old Pedro Ferrer who married into the wine business early this century when Dolores Sala became his wife.

The Sala fortunes had at that time been hit by the loss of their export market in the Spanish-American colonies and by the phylloxera grape-blight. Pedro decided to go into *cava*. Much later, in the mid-1930s after Prohibition had ended in the US, he set up a subsidiary in New Jersey. It was Freixenet's first, unsuccessful, foreign venture. A year later Pedro was "executed" by Communist fighters in the Spanish Civil War.

The business, based 20 miles outside Barcelona at Sant Sadurni D'Anoia, is still owned by Pedro's four children: José, Pilar, Carmen and Dolores the younger.

Freixenet started exporting to Britain in the 1960s through DWS, a company in Hatfield, Hertfordshire, that it now controls. But it was up against the deeply-ingrained francophilia of the wine-drinking classes – and the Yuppie had not yet been invented. "Wine writers in England were wedded to champagne," says José-Luis Bonet, who is Pilar's son and the firm's vice-president.

The breakthrough came in the 1980s when Freixenet picked up half a dozen sparkling wine companies from the wreckage of the crashed Rumasa conglomerate. It invested $12m in a small vineyard in Sonoma Valley, California, and bought estates in the Queretaro province of Mexico. These two operations are run by another Pedro Ferrer, José's son.

Foreign acquisitions were topped off in 1985 with the purchase of Henri Abele, the fifth oldest name in the Champagne region of France.

Exports and acquisitions were made easier by the then weakness of the peseta. As the Spanish currency has hardened Freixenet has found its margins squeezed. But it still pays its local grape-growers less than a tenth of the price per kilo demanded in Champagne.

Economies of scale, relatively low labour costs, a programme of automation and a policy of direct selling in the big US market have enabled the company to keep its prices sufficiently below that of French champagne and not too far above that of bulk-fermented sparkling to stay in the game. Turnover reached Ptas 21bn (about $200m) in 1987.

José-Luis Bonet says it is a question of having "the best price-quality ratio". But fashion and fashion's arbiters, the wine-writers, play a large part. Freixenet has pitched its product quite carefully, hoping to capture some of the inveterate champagne drinkers while appealing to the much bigger constituency of occasional bubbly-buyers.

An example of its marketing tactics could be seen on British television before Christmas – the first TV advertising campaign the company had mounted in its fourth-largest export market after West Germany and Sweden.

At the beginning of selected programmes viewers were shown what they call in the trade a "teaser": a black screen accompanied by the sound of someone blowing across the mouth of a bottle. In a second commercial at the end of the show, the viewer realised he had been looking at the back of a black bottle which was then turned round to display the Cordon Negro brand name.

"The black bottle is a terrific asset," says Phil Brown, the man whose agency, Interconnections, devised these top-and-tail commercials. "We have always tried to give it a very quality feel, but not too effervescent a look to the ad."

Changing fashions – encouraged by the Californians and Australians – have seen Spanish *cava* exports jump from 3.5m bottles to 50m bottles (38m of them Freixenet's) in 14 years. Forty years ago the annual production of *cava* was just 5m bottles, a seventh the output of Champagne. Last year the French production was 220m bottles and the Spanish 150m.

But there is one more hiccup to come in Freixenet's heady story. The European Community has ruled not only that the name "champagne" will remain protected, but that from 1994 the description *méthode champenoise* will be forbidden inside the EC in the interests of the consumer.

"I don't see a great problem," says Manuel Durán, the senior non-family executive. "We can always call it 'traditional method' or something like that. Or we will just call it *cava*. After all, that's what we call it in the supermarkets already."

As for what the Chinese will call it, that is anybody's guess. "Little Ash-Tree" perhaps?

Putting competitive advantage at your fingertips

Most UK marketing managers have yet to grasp the fact that if they used technology to gather and organise marketing information they would considerably improve their competitiveness.

The level of ignorance can be alarming, says a study just published by a consultancy, Organisation and Systems Innovations (Oasis).

David Gill, director of innovation at Oasis, quotes the marketing director of a major British company who had no simple way of analysing his sales to each major customer the year before.

Toni Gill, who carried out much of the research argues: "If companies truly recognise the value of customer awareness, they will naturally regard information as the key resource for attracting, maintaining and maximising the profit potential from their customers."

The ideal, Oasis implies, is a single, integrated marketing database.

The study's conclusions are in line with the view recently stressed by Michael Treacy, assistant professor of management at the Sloan School of Management, Massachusetts Institute of Technology. Treacy argues that sales and marketing offer some of the best opportunities to use information technology for competitive advantage.

Treacy also warns, though, that "technology will never effectively catalyse change in the sales function. It has to come from the heart and soul of the sales manager."

Toni Gill's analysis shows that less than one per cent of UK companies have managed properly to integrate all their market and customer information to the extent that their marketing strategy is beginning to be driven by their marketing information systems.

"The majority of UK companies," she says, "still have a long way to go before they can be said to be managing their market information effectively." Market orientation, she suggests, should lead to an awareness of the value of information and only then to technological considerations.

There are five categories of company, says the study:

● "Non-performers" – comprising 7 per cent of the sample of 193 companies canvassed, this type did not appreciate that gathering information about customers, either current or potential, had a marketing role to play.

● "One-man bands" – they made up about 24 per cent of the sample and were making limited use of market research and had some access to basic customer information. These, Oasis concludes, "do not have access to sufficient information to respond with any sensitivity to market needs."

● "Orchestral players" – the largest group, comprising 58 per cent of the sample, were collecting the right kind of information but were storing it haphazardly in a variety of stand-alone systems.

"They had a fair spread of instruments for capturing market and customer data," according to Toni Gill. "They were making genuine efforts to do so. They had computer terminals all over the place. They had all the right sentiments about needing to integrate all this data and all these machines - they just were not having much luck!"

● "Conductors" – representing 4 per cent of the sample – were more fortunate. They had largely succeeded in integrating their internal sources of information and were able to pull out substantial amounts of information

● "Composers" – this final category represented those that had managed to turn information into a strategic marketing resource.

Oasis's key finding in its analysis of UK companies – which amply confirms Treacy's general diagnosis – is that the successful uptake of information technology in marketing is dependent on market orientation, not upon information technology skills.

UK companies, however, were weak on information gathering. Only half the companies canvassed used published market research reports on a regular basis; only 37 per cent regularly commissioned market research studies; 45 per cent hardly ever or never used computer-based (on-line) information services

What should the orchestral players do to find marketing harmony? Set goals for developing marketing systems to determine what kinds of information are essential to support the company's business aims, Oasis concludes. Ensure the support of a senior executive as "champion" for the system and take a phased, manageable approach to implementation.

The Management of Marketing Information: Oasis in association with the Institute of Marketing.; Tectonic Place, Holyport Road, Maidenhead, Berkshire, SL6 2ET. £95 plus VAT for the first copy, £10 for each succeeding copy.

**Indications: November/December 1988. The Index Group, Cambridge, Massachusetts.*

Alan Cane

Women get involved

Financial institutions ignore at their peril the influence of married women when devising their marketing strategies. While husbands on balance have the greatest say in financial decisions, wives are heavily involved.

This is the finding of a new study of British life-styles carried out by market researchers Mintel. "Although married women may not be so important as men in taking decisions off their own bat, our research indicates that, in marketing terms, women deserve considerable attention."

From the survey of 450 married women it emerged that financial decision-making was fairly even between husbands and wives – 55 to 45 per cent in favour of the former.

In areas such as withdrawal of savings, mortgage arrangements, hire purchase finance, building society and bank accounts, decisions were largely taken jointly.

Husbands did not, however, consult their wives on pensions, though Mintel points out that this could be because many in salaried employment do not have to make a choice.

Where women have most say is in credit card usage as well as in the choice of household insurance and bank and building society accounts.

The Mintel research found that in many areas of financial decision-making socio-economic grading had a bearing on who had a greater say. "We suspect that more C2DE husbands feel insecure about financial matters than is the case with their ABC1 equivalents and as a result their wives have to become more involved," says Mintel.

It also emerged from the survey of that almost a third of British women only worked because they needed the money.

Contrary to much media comment over the years, it does not seem that the modern woman is much different from her forebears, Mintel suggests. "She is, inherently, relatively conservative in outlook; the biggest myth is womankind's supposed desire to be free of the bonds and responsibilities of housekeeping."

**British Lifestyle 1988, Mintel, 7 Arundel Street, London, WC2R 3DR. £650.*

David Churchill

BUSINESS LAW

Myth of one-stop EC merger control

By Philip Goldenberg, Stephen Kon and Michael Rose

Leon Brittan's aim, as incoming Commissioner with responsibility for competition policy, of "one-stop" EC merger control, will not be fulfilled unless steps are taken to integrate the new measure with the existing competition rules of the EC Treaty.

In his first speech on the topic recently, Sir Leon urged support for "a system whereby, in the case of smaller mergers, they would be subject only to national regulation . . . while in the case of the really large mergers which have implications for the whole of the Community, the European Commission would have the power to intervene, and companies would not normally need to be concerned about the national regulatory authorities." This approach has since been endorsed on behalf of the UK Government by Lord Young.

Until recently, merger control powers could only be exercised at EC level in the rare case where a company already in a position of market dominance increased its stranglehold by taking over a competitor – so abusing, according to the *Continental Can* judgment of the European Court, its dominant position in breach of Article 86 of the Treaty. EC powers of intervention were significantly widened in 1987, when the European Court decided in the *Philip Morris* case that the "anti-trust" rules of Art.85 could apply to share transactions if the result was likely to be a change in the market behaviour of any of those involved. Art.85 may now catch the taking of a minority shareholding in a competitor, with or without an option to take control later; buying control; leaving a minority interest in a competitor's hands; takeover consortia, with an "auction ring" effect on the share price; and (though this is still untested) a 100 per cent takeover. The structure of the market will be crucial and Art.85 is most likely to be relevant where the market is stagnant and its suppliers large and relatively few as in the case of cigarettes and spirits.

A takeover bidder's timetable may now be irreparably disrupted by a well-timed complaint to the Commission or application to the national courts for an injunction while the complaint is being investigated, as in the frustrated bid for Irish Distillers and the investigation of the GEC/Siemens bid for Plessey. The voluntary reference made to the Commission of the Carnaud/Metal Box merger shows that the trend is likely to continue.

The genie is therefore out of the bottle; and there is no way to put it back. Art.85 may be invoked in the national courts irrespective of what policy the Commission may adopt.

Community law allows a merger to be subject to parallel proceedings and double sanctions under national laws and Arts.85 and 86. National authorities may prohibit a merger on which the Commission has decided to take no action but may not authorise a merger which has been prohibited by the Commission. They probably may not prohibit a merger to which the Commission has shown positive favour by granting exemption.

The rule that Community law prevails in the end is small comfort to those involved in the delay and expense of parallel investigations.

The proposal

According to the draft published in November 1988, the proposed merger control regulation would apply where the combined worldwide annual turnover of the groups concerned is more than Ecu 1bn (£660m) and the EC wide turnover for each group more than Ecu 100m (£66m) but excludes cases where more than 75 per cent of the EC-wide sales of all parties arise in the same member state. The Commission now appears ready to double the turnover threshold to Ecu 2bn. Such "mega-mergers" would be appraised according to a clear and workable timetable, probably with only a small number of rejections.

The regulation aims for "one-stop" supervision at EC level for the 75 or so mergers per year expected to be reviewed under it. National authorities are supposed to come into the picture only where the Commission chooses to delegate powers to them. But there is a pitfall to the new system. Mergers whose purpose or effect is to co-ordinate the competitive behaviour of independent concerns are automatically excluded from the new regulation. Instead, such "cartel mergers" will be investigated under the existing Art.85 rules, with an open-ended timetable and all the risks of exposure to fines, attack on the legal validity of the merger in national courts and parallel national competition investigations.

Unpredictable

It is impossible to predict whether the Commission would regard a given share transaction as having a cartel aspect. Also there is no hard and fast division between mergers tending to lead to dominance, which the regulation is intended to control, and those in the cartel category. Many mergers fall into both.

Suppose, again, that the new regulation had been in force at the time of the bitterly fought takeover battle for Irish Distillers. The bid was frustrated by a complaint to the EC Commission under Art.86 and the Commission's prompt action in threatening interim measures. The Commission viewed the consortium formed to take over the target company's shares as a violation of Art.85 and it has to be assumed that, because of this cartel aspect, the bidders would have been unable to notify under the regulation and the ball would have bounced just as bewilderingly between the EC Commission, the UK Office of Fair Trading, the Irish Fair Trade Commission, the Takeover Panel and the English and Irish courts.

Backing both horses by double notification may become the norm; and given the general risk, however remote, that a merger may be declared null and void if Art.85 is broken, companies may decide to notify mergers to the Commission even in innocuous cases because, with the best will in the world, the Commission cannot "whitewash" a beneficial merger by giving an exemption of an earlier date than its first notification.

The problem

The untrammelled survival of Arts.85 and 86 also promises to frustrate the second half of Sir Leon's aim for EC mergers policy – that smaller mergers should undergo scrutiny only by national competition authorities. It is ironic that the efforts of the UK and other member states in opposing the new regulation have been concentrated on raising the turnover thresholds and narrowing its scope, whereas it would have been in the interests of business to widen its scope and substitute a one-stop regime for the present system. It is also unfortunate that the impression has repeatedly been given by statements from the Commission, echoed in the press, that the regulation would replace the present unsatisfactory system under Arts.85 and 86, instead of supplementing Art.85 in a subservient role as is in fact the case.

A new approach

First, it should be recognised that share transactions outside the scope of the merger regulation under Art.85. Time limits corresponding to those in the merger regulation should be fixed for declarations of the inapplicability of Art.85 or for the authorisation of anti-competitive mergers considered to be beneficial. Where the turnover and other *criteria* in the merger regulation are satisfied, notification under it should be treated as also covering notification under Art.85.

To save the Commission from having to deal with an avalanche of notifications there should be a block exemption under the new system for two-party mergers and acquisitions, perhaps with an upper limit for turnover thresholds, covering the agreements, pre-emption clauses, warranties and indemnities, non-competition vendor covenants and other matters commonly found in a straightforward acquisition or takeover bid.

Lastly, the new regulation should spell out the "legitimate interest" which national authorities may continue protecting under their own laws.

If the regulation is adopted in its present form, one-stop merger control will remain a myth. The existing powers of the Commission under Arts.85 and 86 in relation to mergers won by case law are ill defined – inadequate for the Commission and bad for the business community. Nothing less than a comprehensive approach will make EC merger control a reality. It should be based on a single system of authorisation and enforcement at EC level and a clear division of responsibility between the Commission and the authorities of the member states.

The authors are partners in the City solicitors, S.J. Berwin & Co.

COMPANY NOTICES

EUROPEAN ECONOMIC COMMUNITY

ECU 60,000,000 10½% 1984-1991

NOTICE OF EARLY REDEMPTION

Notice is hereby given to the holders of the above mentioned Bonds that the European Economic Community will proceed to the early redemption of all of the outstanding Bonds at 101% of their nominal amount on March 30, 1989.

Interest accruing on the outstanding Bonds will cease as of that same date.

BANQUE INTERNATIONALE A LUXEMBOURG
Société Anonyme
Fiscal Agent

Luxembourg, February 9, 1989

WORLD BALANCED FUND
Société d'Investissement à Capital Variable
2, boulevard Royal, Luxembourg
R.C. Luxembourg B-24872

Shareholders are hereby convened to attend the
ANNUAL GENERAL MEETING
of shareholders of our company, which will take place at the company's registered office, 2, boulevard Royal, Luxembourg, on February 17, 1989 at 11.00 a.m. for the purpose of considering and voting upon the following agenda:

1. Submission of the report of the Board of Directors;
2. Approval of the Statement of Net Assets at November 30, 1988 and the Statement of Operations for the year ended November 30, 1988;
3. Allocation of the net results;
4. Discharge to the Directors and the Statutory Auditor.
5. Receipt of and action on nomination of the Directors.
6. Miscellaneous.

Resolutions on the agenda of the annual general meeting will require no quorum and will be taken at the majority of the votes expressed by the shareholders present or represented at the meeting.

In order to attend the meeting of February 17, 1989, the owners of bearer shares will have to deposit their shares five clear days before the meeting at the registered office of the Company or with Banque Internationale à Luxembourg, Société Anonyme, 2, boulevard Royal, L - 2953 Luxembourg.

THE BOARD OF DIRECTORS

LEGAL NOTICES

IN THE MATTER of

PERITRONIC MEDICAL INDUSTRIES PLC.
LIMITED

AND IN THE MATTER OF THE INSOLVENCY ACT 1986

Notice is hereby given that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 1st day of March, 1989, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned P.W.J. HARTIGAN of 1 WARDROBE PLACE, CARTER LANE, LONDON *EC4V 5AJ the Liquidator of the said Company*, and if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors to come in and prove their debts or claims at such time and and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

DATED this 19th day of January 1989

SOUTHFIELD CARE HOMES LIMITED

Registered number: 2190396
Nature of business: Residential and nursing home
Trade classification: 47
Date of appointment of joint administrative receivers: 30 January 1989.
Name of person appointing the joint administrative receivers: The Royal Bank of Scotland plc.
JOHN FREDERICK POWELL and NICHOLAS ROGER BROMFIELD GODDEN
Joint Administrative Receivers
(Office holder nos 895 and 1091 of Cork Gully, 43 Temple Row, Birmingham B2 5JT

PERSONAL

The Lakatos Award Lecture: "The Nature of Reality" by Professor Michael Redhead. London School of Economics, 5.30 p.m.

CINEMA

Week of the Chinese

RED SORGHUM
Zhang Yimou

SOURSWEET
Mike Newell

THE GOOD MOTHER
Leonard Nimoy

THE KREUTZER SONATA
Michael Schweitzer

THE DEAD CAN'T LIE
Lloyd Fonvielle

SLIPSTREAM
Steve Lisberger

Zhang Yimou's superb *Red Sorghum*, which won last year's Berlin film festival Golden Bear, proves that Chinese cinema no longer languishes in the shadow of Chairman Mao and his little red thoughts. Gone at last – and we hope forever – is the tendency for Chinese films to be mainly about productivity-raising in the cantons and/or consciousness-raising in the canteens.

An ex-cameraman with a visionary eye, Yimou weaves a 1930s-set story of myth and magic which advances from folk-tale to historical tragedy. A beautiful girl is yoked by arranged marriage to a leprous sorghum-wine maker. She is seduced by one of the winery workers, and when the tyrannical boss dies, she bears the worker's child. But the idyll is short-lived. A crueller age of tyranny begins: China is invaded by Japan, and the screen is engulfed by violence and cathartic horror.

A shorthand summary suggests a plot of almost demented "What nexts?" But the film works on a heightened level, rising above logic and navigating between dream and reality. The sorghum field, an ocean of wind-wrestled stalks haunted by ghosts and bandits, becomes an unforgettable motif. A baptismal wilderness through which the bride first rides in her litter, it also lends its blood-dashed colours to the movie's main images: the heroine's clothes, the sorghum wine, the blood of battle and of the flayed victims of Japanese brutality.

More often than we would like, suggests the film, our passage to wisdom and freedom lies through violence, terror and upheaval. No less remarkable than the story's emotional switchbackings are its visual authority and narrative certainty. Pace and power never slacken. And the closing image of a burnt war survivor and his son (the narrator's father), standing against the red sky like charred idols from pre-civilisation, has a force unsurpassed in recent cinema.

In *Soursweet*, directed by Mike Newell from Timothy Mo's novel, China plays away. But like many sporting countries it brings its own hooligans to the match. Mo's England-set tale of Triad gangsters pursuing a family of Hong Kong immigrants reaches the screen still bristling with anxiety and nervous comedy.

Newell showed in *Dance With A Stranger* that he could shape everyday moral squalor into jewelled tragicomedy. Here he pitches his young restaurant-owning couple and their child – superbly played by Sylvia Chang, Danny Dun and the big-eyed, brightly-named Speedy Choo – into an Anglo-Saxon Hades. In a cul-de-sac by a railway viaduct, where old car-repair lots explode across the road, the "Dah Ling" Chinese takeaway looks as incongruous as the little old lady's house in *The Ladykillers*.

The film hums with comical discomfort whenever two or three are gathered together, trying to stir-fry their lives into a semblance of harmony: especially when the wife's unmarried sister gets pregnant by a trucker or when their Dad, an old Triad warrior, arrives in England to pitch chopsticks for good. (The boy's first sighting of his Grandpa is beautifully done. He pads up behind the unknown giant like a hunter nervously stalking a mammoth).

Weaker are the scenes with the Triad command in Soho, hatching their plots and flexing their knuckles. The film rightly uses unfamiliar, un-Anglicised Chinese actors. (No audience cries of "Ooh, isn't that the Chinese Detective?") But the price is a tendency for the dialogue to sound unduly tortured, as if the cast is involved in a life-or-death struggle with an English phrase-book. Even so, the movie never loses – nor seriously loosens – its grip. At best its picture of a Britain clasping ambivalent arms around its immigrants is as funny, touching and cautionary as *My Beautiful Laundrette*.

★

The Good Mother, based on Sue Miller's best-selling novel, has the asphyxiating one-dimensionalism of a TV movie. Talking heads and tinkling piano music shape the tale of a divorced mother (Diane Keaton) left to cope with a young daughter and the "shoulds" and "shouldn'ts" of her sexual upbringing.

A single-parent tale, the film soon becomes a single-problem movie. Did Keaton's lusty sculptor boyfriend (Liam Neeson) sexually abuse the little girl? Though he says not, the ex-husband seizes on stray murmurs from the tot to bring a custody suit. Keaton and we believe Neeson: but if the judge finds against him, she may have to choose between keeping her lover and keeping her child.

Director Leonard *(Three Men And A Baby)* Nimoy boldly continues his transformation from Mr Spock into Dr Spock. But in this "bringing up baby" tale he has opted for cloying simplification. Prologue scenes depicting the formative conflicts of Keaton's own childhood – reared by a stern grandpa (Ralph Bellamy) but influenced by a "liberated" aunt (Margaret Baird) – are set to voice-over excerpts from the novel. These are poured like syrup, along with the piano music, over an idyllic lakeside setting. (It looks like *On Golden Pond*, but then so do most Hollywood lakesides since that film).

Gong Li carries food to the resistance fighters in "Red Sorghum"

Once grown up, our heroine falls prey to a wayward love life and to wacky Diane Keaton mannerisms. The latter worked a treat in *Annie Hall*, but here the stammers, gushy grins and "Aw shucks" gaucheries look a touch rehearsed. Cast too soon and too crudely as a lovable victim, Keaton's heroine never gets her fighting spirit into gear, nor does the film. Injustice wipes the floor with justice. But instead of feeling that the film has struck a blow for realism – as in "Even the best of us can lose court cases and mess up our lives" – we feel that it has barely raised its fist: that its true sympathy lies with that infantile idyll by Golden Pond, when the world was young and when pretty photography and saccharin music could offset the harsher truths to come.

★

Michael Schweitzer's *The Kreutzer Sonata* is a deeply sedative adaptation of Tolstoy's novel. In what one presumes to be the conversation carriage of a trans-Russian train, the middle-aged hero Podzyhov (Oleg Yankovsky) empties the dregs of his sexual and marital disenchantment into the ears of a fellow-passenger. ("I'm not keeping you up, am I?" "No, no, not at all.") Meanwhile, in flashback-land, we reprise his courtship, wedding, jealousy and eventual murder attempt on his wife.

The veteran Schweitzer, who filmed Tolstoy's *Resurrection* with decorative glow 25 years ago, still believes that radiant triteness is all. In most of the film's flashbacks, especially its pastoral ones, one wonders if there has been a meltdown at a Vaseline factory: soft-focus is everywhere. Meanwhile, scenes of sexual passion use the subtle symbolism of a steam-train's pistons thrusting in and out. And when in doubt as to what cliché to reach for next, Schweitzer resorts to such flaccid favourites as the lovers' rowing idyll on the lake or their slow-motion romp through woodlands.

Only the puckish, Protean Oleg Yankovsky (of Tarkovsky's *Nostalgia*) does his best to keep us interested and conscious. Elsewhere the filmgoer feels like a drowning man who is shocked to find someone else's life, not his, passing before him.

★

"Sleeping with a dead woman, there's no future in it" quips someone in Lloyd Fonvielle's *The Dead Can't Lie*. But after a promising start, this shaggy-dog black comedy ends up lolloping around in circles, chasing its own tail. Why has private eye Tommy Lee Jones been hired to find a client's dead wife? Has the lady come back to haunt him? If so, could she be the weird, pop-eyed blonde (Virginia Madsen) who befriends Mr Jones and who resembles an attempt by Hollywood's genetic engineering department to combine Bette Davis with Joan Crawford?

Deep questions these. The film itself, though, is less deep. A sly tease for an hour – and effulgently photographed by *Raging Bull*'s Michael Chapman – it soon turns, like its heroine, from flirt to hard-to-get.

Last and by all means least, the futuristic *Slipstream*. "In a world where Nature has gone mad," five folkloric characters with names like Tasker, Byron and Ariel charge across exotic landscapes, chasing each other with flying machines, cut-rate special effects and unspeakable dialogue. Directed by Steve *(Tron)* Lisberger, the film and its convoluted plot are like a video game you neither understand nor want to. The slipstream of the title, by the way, is the "river of wind" on which the adventurers travel. Enough said.

Nigel Andrews

200% and Bloody Thirsty

ICA THEATRE

Forced Entertainment, the Sheffield-based theatre group, is one of the most interesting companies of the late 1980s. But their new show, *200% and Bloody Thirsty*, visiting the ICA as part of the "Myth and Ritual" programme, shows they are still struggling to establish a consistent identity.

Last year, they came to the ICA with *Let The Water Run Its Course*, a post-apocalyptic vision of England with lots of slapping and slurping and a flatly intoned Yorkshire commentary on tape. A similar discordancy underpins these unseasonal revels, with two cherubs on close circuit television itanising their intentions of making asbestosis a thing of the past, or of saving a woman who sleeps out in the snow, while the onstage trio of actors launch into a Christmas knees-up of horrendously boozy banality.

The stage is awash with old clothes and marked off by six bare trees. Two boys and a girl awake from a state of sleeping innocence and don cheap clothes and wigs. They yell at each other and squirt beer in all directions while rock 'n roll blares out of the television.

It gradually emerges that these are neighbours trying to make themselves heard. A woman is pregnant and a couple needs a bed for the night.

The encounter is repeated with various permutations of personnel and verbal intensity. Ascending the climbing frame stucture that signals a half-way station between heaven and earth, the characters assume the more formal and earthily eloquent speech rhythms of the Yorkshire Mystery Plays. An oscillation is set up between contemporary urban desolation and the Biblical story of the Nativity, the latter represented by the lager-loutish, screeching humans adopting the false posture of the actor.

But for all its surface confidence, the event fails to achieve any coherent theatrical impact. It stutters and makes noises, but is not really saying anything of much value or significance beyond, well, life and death, it's a funny old game. Old folk sleep out under a snowstorm of soap flakes. A child is born in a tip.

The televised angels recall the happy sounds of birdsong and cars rumbling along the old M4 Motorway. They watch wryly the muddle and blather below. The trio strip down again to underwear and re-enact the Nativity in muted mutters, cardboard wings fixed to their backs.

This follows a more disturbing episode of charging around with brown paper bags on their heads. The Paper Bag Players, perhaps, back from the 1960s. I think not.

The acting of Cathy Naden, Robin Arthur and Richard Lowdon is full of commitment and there are moments of charm characteristic of the company. The direction by Terry O'Connor and Tim Etchells is confident and positive. The proceedings are dominated by a skyscape of scudding clouds framed by neon strip lighting, the show's mysterious title emblazoned in red lettering. One day this work will erupt. For now, I can file only a slightly disappointing progress report.

Michael Coveney

Richard Lowdon and Cathy Naden

The Gran Scena

BLOOMSBURY THEATRE

The Gran Scena Opera Company di New York is to opera what the Ballets Trockadero di Monte Carlo is to dance, and more. That is, they're all men, even the men. Among their many fans are Dame Joan Sutherland and Leontyne Price, which might be considered as taking out insurance on their part, but to noavail. The company's programme at the Bloomsbury Theatre, at which I laughed myself sick for a whole two and half hours, leaves no diva's reputation unscathed: their deadly parodies, each with its undeniable grain of truth, strike home with the accuracy of a poisoned dart in the rain forests.

The comedy works at an infinite number of levels, from the basic drag joke, to the short tenor joke, the singers always spit joke, the "I can sing any note longer than you" joke, and on to some rather sophisticated ones, like the cadenza joke ("Ah non giunge" deftly inserted into the Mad Scene from *Lucia*).

In extended scenes, like the *Lucia* and most of Act Two of *Tosca*, the inspired visual lunacy is in the great tradition of the Marx Brothers and Mel Brooks, yet at the same time sopranos we know and love go down like ninepins: I shall never be able to watch Caballé, Scotto, Dame Joan, even Callas again without memories of Vera Galupe-Borszkh (aka Ira Siff, director and onlie begetter of the Gran Scena) shaking their gory locks at me.

Vera Galupe-Borszkh (Ira Siff)

The best thing is, they are also extremely capable singers. Falsettists or no, they perform in the original keys, and I have heard Brünnhildes with less respectable Cs than Mme Galupe-Borszkh's, and "Cruda sorte" worse sung than it is by Philene Wannelle: at least she manages it in one register, unlike – oh, never mind. Transposition is allowed only to Gabriella Tonnoziti, the world's oldest soprano when singing Mimì ("I'm 105, give me a break"). This last, actually, is almost too acid a portrait of an old duck leaning on a stout walking stick and furiously sucking her dentures. Nothing is sacred.

Items are linked by hostess Sylvia Bills ("America's Most Beloved Retired Diva"), who adds her own brand of homely, inconsequential saccharine with the occasional barb – it would be cheating to reveal which of today's best-loved sopranos is described as "a viable alternative to valium." To find out you will have to go to the Bloomsbury, where Gran Scena are playing until February 18. Don't, for opera's sake, miss them.

Rodney Milnes

Timon of Athens

CROYDON WAREHOUSE

Dryden's *bête noir* Shadwell was certainly the first, and undoubtedly not the last to claim of Shakespeare's flawed tragedy "I can truly say I have made it into a play." The consensus, throughout much of its history, seems to have been that it demands – and deserves – adaptation, and once more into the breach charge Red Shift, with a reading as interesting in its weaknesses as in its strengths.

The first thing to point out is that this is not *Timon of Athens*, but a remoulding of its themes, obsessions and some of its language into the story of a man-hating woman. Unlike their brilliant update of Molière's satire *The Misanthropist*, little sense emerges of reciprocal illumination of text and context: for a start, Adrian Johnston's music is sung far better than Shakespeare's verse is spoken.

One emerges from the theatre with a sense that Jonathan Holloway, Red Shift's co-founder/director, does not think much of the original play but is intrigued by its possibilities. One also emerges with a strong suspicion that he has not yet fully worked out where those possibilities begin and end.

The intense and baffling hour and twenty minute show is performed without interval around, in and in front of a curtained colonnade by five actors with chalked, masklike faces and costumes that fall in sculptural folds like the textiles in early biblical paintings.

Gathering together into the first of many tableaux they sing of manipulation, listening, eavesdropping, before drifting apart to enact the story of the Lady Timon, beginning with the banquet at which she indulges her guests while fondling a shiny red apple.

The textual basis for the sex change would seem to be Timon's Act Four exchange with his steward about the absence of honest men: a simple shift of emphasis transforms it easily into a separatist rant. But the heart of the transformation lies in the profuse picture-making of designer Charlotte Humpston and the equation of financial extravagance and sexual wantonness, which is spelled out by the crazed Timon as she munches her apple in the wilderness over a copy of the Bible.

The contributory guilt of female social postures is also painted in. "A woman must continually watch herself," we are told at two separate points. "She is almost always accompanied by her own image of herself." From the gushing enunciation of a professional hostess, Kate Fenwick's Timon turns to the reproachful tones of injured innocence as she rebuffs her (male) supplicants one by one and dreams up images of the crucifixion to illustrate her misery and contempt. In one, two women weep at a man's feet; in the second the sexes are reversed.

The richness of the show to eye and ear, and the skill of the performers in handling a drama which adopts the postures of traditional masque in pursuit of a modern tragedy, did not conceal the suspicion that for once in Red Shift's work, style had overthrown content.

Claire Armitstead

Who's Afraid of Virginia Woolf?

BIRMINGHAM REPERTORY THEATRE

"What a dump!" moans Sylvia Sims as a convincingly American Martha, but she is not complaining of the home in which she and her husband George, an equally convincing James Bolam, are living at an unnamed Eastern US university. What she wants is to start an argument with him about Bette Davis movies. They have just come back from a President's party, and Martha has invited a new young professor and his wife to call on them, though it is two o'clock in the morning.

If she thinks she lives in a dump, the fault must lie with designer Roger Butlin, more often at the opera than the drama. The Rep's vast proscenium opens on to a stage bigger than Covent Garden Opera's, and to put a four-handed comedy into such a space is a problem. What we have is a wide, round room with some round tables (one well stocked with booze), a long sofa on each side, and piles of books, files and cushions along the circumference. The main entry is by a dark passage upstage centre. Exits at either side, unmarked by doors, lead downwards. This is an imagined room.

What makes it into a dump, if it is one, is the pervasive ill-nature of its occupants, an ill-nature always disguised as comedy. One of the first jokes the visitors, Nick and Honey, are subjected to is George's threat from a shotgun that fires only bouquets – an analogy indeed of much of the party's talk. The sole conversational territory from which Martha has been banned is "the bit." We are not told what the bit is, but we learn early in the second of three acts, when she invades it. It is the pretence that George and Martha have a child.

This second act is subtitled *Walpurgisnacht*. George labels its events with comic titles. "Humiliating the host" concerns the story of a boy who accidentally killed both his mother and his father, the subject of a novel George wrote but kept from publication at the President's stern request. Autobiographical? Little in the play is definitely truth or invention.

In "humping the hostess," Martha leads Nick into an attempted seduction, where he fails in performance, as the Porter in *Macbeth* could have warned him, and becomes a target for mockery. "Get the guests" deals with poor simple Honey's story of an hysterical pregnancy prior to her marriage, her determination not to have children.

Beatie Edney is truthfully childlike as sad little Honey, the rich, naive wife of Nick, the professor of biology, a man of solid certainties. Jerome Flynn keeps Nick solidly in the land of facts in the working hours and hard exercise between lectures.

This is not the land dwelt in by George and Martha. Their world, as we see it here, is as invented as their dump of a sitting-room, and they get clever performances from Sylvia Sims and James Bolam that match Edward Albee's operatic thought behind their lines. There is a touch of self-awareness in Bolam's movements that goes with the literary assurance of his talk; and Sylvia Sims spans the gamut of her feelings with such confidence that we can hate her and admire her in the same breath. Her solo aria at the start of Act 3 is masterly.

The details of John Adams's direction are perhaps guided by the dimensions of the stage, but having come to terms with them, he is never awkward or apologetic. The glittering horrors of this fine play are revealed in all their unlovely brilliance.

B.A. Young

ARTS GUIDE

February 3-9

EXHIBITIONS

London

The Royal Academy. Italian Art in the 20th century: after German and British, the third in the Academy's roughly biennial sequence of major national surveys. A remarkable exhibition. Until April 9.

Paris

Grand Palais. Paul Gauguin. Coming after Washington and Chicago, 250 works from all over the world form an important retrospective of the legendary *peintre maudit*, influenced at first by the Impressionist Pissarro and later by Degas and Cézanne. Until April 24. (42 56 58 30).

Louvre. Pavillon de Flore. The Rembrandt school is on show at the Louvre. It consists of 29 canvases by Rembrandtesque artists and is especially interesting in view of the recent controversy about attributions of some of Rembrandt's own paintings. Closed Tue. Ends March 27. (42 60 39 26).

Brussels

Musée Bellevue. Les Flacons de la Seduction. The art of perfumery in the 18th century. 7 Place des Palais. Ends Feb 19.

Palais Des Beaux-Arts. 34th Belgian Antiques fair organised by 48 Belgian collectors and dealers. This year's theme is "the unexpected" – *l'objet imprévu*. Ends February 12. 513 4831.

Rotterdam

Boymans-Van Beuningen Museum. Twin exhibitions on Rembrandt and his school comprising a lavish 200 drawings and 30 paintings, all from the museum's own collection. Ends March 5.

Stuttgart

Stuttgart Museum. Key works from the Thyssen-Bornemisza collection covering the period from the 14th-18th centuries, as well as works by Holbein the younger, Frans Hals, Peter Paul Rubens and Albrecht Dürer.

Vienna

Museum der 20 Jahrhunderts. Klassische Moderne, a collection of the Museum's contemporary art. Ends March 7.

Hermes Villa. Portraits by the fin-de-siècle artists, Gustav Klimt and Emilie Floege. Ends Feb 19.

Rome

Villa Farnesina, Via della Lungara 230. Over 100 fierce lithographs by the French artist Honoré Daumier, most of which originally appeared in the Parisian satirical paper Charivari. Until Feb 28.

Galleria Nazionale d'arte Moderna. Witty conceptual art by one of the best of the middle generation of Italian artists, Giulio Paolini. Until Feb 26

New York

Museum of Modern Art. The first retrospective of the work of Andy Warhol since 1970 surveys all his work from the 1950s, covering the Campbell's Soup cans, silkscreens on canvas of Elvis, Jackie Kennedy, Marilyn Monroe and other movie stars, disaster paintings and self-portraits. Ends May 2.

Washington

National Gallery of Art. Cézanne: the Early Years. The exhibition comprises 65 oils and 35 drawings showing Cézanne's proto-impressionist techniques. Ends April 30.

Chicago

Art Institute. Dante Gabriel Rossetti, J.E. Millais, Edward Burne-Jones and Simeon Solomon take centre stage for this British drawings show, called "From the Ridiculous to the Sublime," which covers a century from Thomas Rowlandson's satires through Turner and Lear to the pre-Raphaelites. Ends March.

Tokyo

Striped House Museum. Exhibition of paintings by Kiyoshi Koizumi, third son of the late 19th century writer, Lafcadio Hearn, who became a naturalised Japanese citizen.

Idemitsu Museum. Arts and Crafts from China. This museum boasts a superb Chinese collection, of which only a small selection can be displayed at one time. There is a fine view of the Imperial Palace moat. Opens Tuesday.

Teien Museum. Paintings by Leonard Fujita (1886-1968), one of the first Japanese artists to live and work in France and whose arrival in Paris in 1913 coincided with the first flowering of modernism. Closed Wednesday.

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telex: 8954871 Fax: 01-236 9764/5 Telephone: 01-248 8000
Thursday February 9 1989

Hold off withholding

OF ALL the persuasive arguments against the European Commission's proposal to introduce a minimum tax on savings, there is one that stands head and shoulders above the others: it would not achieve what it is meant to.

The proposal is prompted by the forthcoming freeing of capital movements within the EC. A number of countries, led by France but including others like Spain and Italy, fear the consequences. They claim that savings will flow out to countries like Luxembourg, which do not deduct tax at source. The answer, says the Commission, is a minimum 15 per cent withholding tax to be applied by all member states on interest paid to EC residents, thus reducing the impetus to ship savings abroad.

This would not work. Lifting national exchange control regimes will allow capital to flow freely far beyond Europe. There are many countries which do not levy withholding taxes: Switzerland, for instance. One, entirely unacceptable, way to prevent this would be via a European exchange control policy. The alternative would be to persuade the rest of the world to follow the European lead. The Commission argues, implausibly, for the latter.

Wrong answer

Apart from not working, the 15 per cent tax would put European financial centres at a competitive disadvantage, because European savings would go elsewhere to evade the tax. It is important not to overstate this, though. The tax would not apply to Eurobonds: even the Commission has spotted that this would be disastrous, driving the international capital markets out of the Community altogether.

It would also not apply to dividends from equity investment. The imputation systems already in place provide a mechanism for deducting tax at source. Although not technically a withholding tax, this has the same effect.

If the Commission's proposal is the wrong answer, what is the right one? Firstly, to work out the scale of the potential problem. The response should be related to the tax potentially lost.

The UK, which has already lifted exchange controls, claims that the move has not led to significant tax evasion – though by its nature evasion is impossible to quantify with precision. Not declaring income from investments in other countries is illegal; most people do not break the law merely because they have a good chance of getting away with it.

Leap in the dark

Nevertheless, countries like France understandably feel concern about their leap in the dark. The answer should be a tougher enforcement regime – one developed in conjunction with tax authorities around the world, not just within the EC.

Effective enforcement depends on knowing the facts about a particular taxpayer. This is recognised in bilateral tax treaties between countries, which already allow for extensive exchanges of information. It would be further bolstered by a joint OECD/Council of Europe proposal, floated last year, to allow tax authorities to share information multilaterally.

Unfortunately the UK has already declared its intention not to sign this draft convention. Others think differently, and could still breathe life into the convention.

That information is the key is partly recognised by the Commission: its proposals yesterday include amendments to a directive on mutual assistance between tax authorities. This has been in place since 1977 but has failed to make much headway; it is unclear whether the proposed amendments would further the cause much.

A far greater advance would be to require banks to give information about the recipients of interest to their local tax authorities. Such information is already available in the UK, Denmark and the Netherlands.

Countries like Germany and Luxemburg, which put a high price on bank secrecy, would balk at such a suggestion. But if the dangers of tax evasion arising from free capital movement are as acute as the Commission claims, a radical proposal like this is simply the only answer.

Shrinkage in the gilts market

THE LEAST attractive features of the London securities markets in the days before Big Bang was the exorbitant level of dealing costs at the long end of the gilt-edged market. There, from the investor's point of view, lay much of the rationale for the liberalisation of the old Stock Exchange. A new review of the reformed gilt-edged market structure by the Bank of England suggests that investors have not been slow to take an overdue revenge. Gilt-edged market makers' operating losses reached an astonishing £190m in the first two years.

Big economies

Unlike the equity market, where the benefit of reduced dealing commissions has been off-set by wider dealing spreads in some parts of the market-making system, the gilt market has delivered overwhelming economies, especially to larger investors. For the great majority who by-pass the agency brokers and deal directly with market makers, dealing costs have halved while the size of individual transactions in which market makers are prepared to deal has increased. The speed of execution has accelerated considerably.

Looked at from the Bank of England's point of view the outcome has been equally encouraging, at least in the short term. Its five key requirements for the new market were liquidity, competition, internationalisation, regulatory and prudential supervision, and the introduction of new technology. On all counts the Old Lady proclaims satisfaction.

The average daily turnover has doubled and an actively traded futures contract is in place. Foreign firms have entered the market and the Bank is confident that it knows the position of each individual company. There have been withdrawals from the market but at no cost to the confidence of investors in the ability of the remaining institutions to honour their obligations. Above all, the unhealthy degree of concentration in the old market, where two jobbing firms conducted three quarters of all the business, has given way to a more competitive environment.

Compared with a total of eight jobbers before Big Bang there are now 22 market makers, down from 27 at the start. Six firms, but not always the same six, have accounted since October 1986 for around 45 per cent of the business. Many of those involved are predictably unhappy about the poor level of profitability. Yet this was widely foreseen when, with consultation, the Bank designed the new market structure and made its invitation to would-be participants.

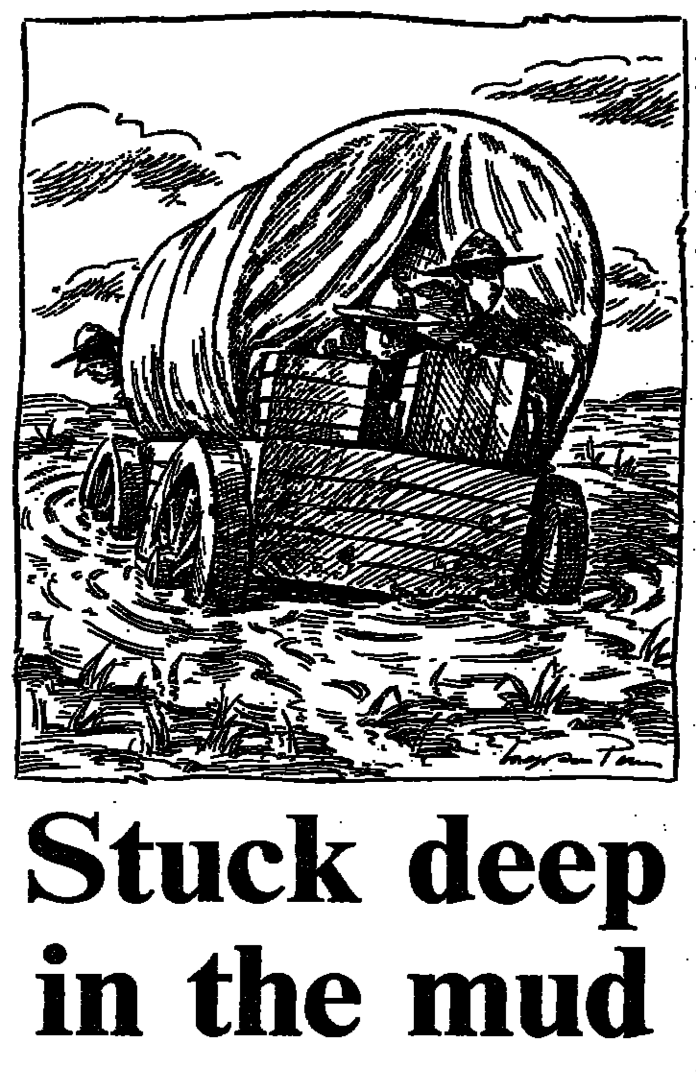
In normal circumstances the Old Lady might have been expected to show greater concern that the capital of the market has eroded from a peak of £510m to only £420m in a mere two years. Market makers have admittedly been able to pare their weekly losses from £4m a week, during the summer months of 1987, to under £2m a week for the last nine months of 1988. But even that constitutes an impressive rate of attrition.

Big Bang irony

But the circumstances are not normal because of the contraction in the government debt market itself. Indeed, one of the ironies of Big Bang is that its biggest achievement for the investor has been won just at the point where the gilt market is about to become a backwater in the global bond market. If the process of disinflation continues it is inevitable that government debt markets in the developed world will go on shrinking. That in turn raises a difficult question both for those who deal in government debt and for individual financial centres.

Most participants in the London gilt market are responding to this situation by seeking to use their market making capability to assist other activities such as interest rate and currency swaps. They are also diversifying into other bond market areas, notably corporate fixed interest sterling securities where new issue activity has been expanding. But with no evidence of reduced competition in the gilt market itself, there must soon be further shrinkage in the gilt-edged market making fraternity. All 22 cannot indefinitely escape the continuing shrinkage in the raw material of the business.

Anthony Robinson reports on political corruption in South Africa



Stuck deep in the mud

THE Botha era is ending as it began, with a whiff of political and financial corruption. The man who became Prime Minister in 1978 by taking advantage of his main rival's involvement in a scandal over misappropriation of funds is now being forced by ill health to relinquish power over a Government which he kept together largely by fear, but which he could not keep clean.

Sensing the Government's vulnerability, opposition leaders from left and right jumped on the corruption issue during the opening of parliament debates in Cape Town this week. Mr Andries Treurnicht, leader of the right-wing Conservative Party, complained that "corruption has reached such a point that the office of MP has been tragically demeaned."

Mr Treurnicht is well aware of growing popular resentment over high taxes levied to support what many perceive as the opulent life-style of senior officials and politicians. He attacked the way corrupt politicians could resign in disgrace but still pick up generous golden handshakes and pensions. For Mr Zach de Beer, leader of the liberal Progressive Federal Party, "it is the foolish, morally unacceptable and impractical policy of apartheid which fosters the conditions in which corruption flourishes."

President P.W. Botha is absent from the debate; his mild stroke last month has removed him from the central role he has played for more than a decade. But the manner of his surprise resignation as party leader on February 2 shows that he has lost none of his powers of intrigue. Mr F.W. de Klerk, the wily Transvaal party boss with an impeccable Nationalist pedigree, scraped in as party leader by 69 votes to 61. But Mr P.W. Botha's tactic of calling an election for the party leadership without warning bore all the hallmarks of the life-long party organiser and the autocratic – many prefer the word bullying – style of his presidency.

Until Mr Botha gives up his positions as head of state and government, Mr de Klerk will remain uncertain of his powers. But he cannot remain indifferent to the need for restoring the party's reputation after recent scandals.

Last month Mr Pietie du Plessis, the Minister of Manpower, resigned after allegations – which he denied – that he had abused his position to favour business deals made by his son and the son of a senior official from the Reserve Bank. In separate incidents two other National Party MPs were also forced to resign. Earlier three senior ministers were cited by a judicial commission investigating the affairs of a wealthy Pretoria attorney, Mr Albert Vermaas. He frequently – according to local press reports – invited ministers, senior government and Reserve Bank officials and military men to lavish house parties or hunting trips in his private game reserves.

Since November Mr Vermaas has been under investigation for alleged violations of foreign exchange regulations involving the purchase of aircraft for his Chieftain Air company, and illegal fund raising for his Ciskei-based bank, Eurobank. According to evidence revealed by the Harms Commission, set up by the Government to investigate the involvement of South African citizens in black homeland corruption, Eurobank continued illegally to raise millions of rand in deposits in defiance of orders to desist by the Reserve Bank.

The Reserve Bank itself has come under attack for failing to police effectively the complex two-tier rand system, introduced in September 1985 in the wake of the withdrawal of US banks. The result has been large-scale foreign exchange losses from "round-tripping" – the illegal exploitation of the 40 per cent discount of the financial rand to the commercial rand.

The extent of corruption in recent months makes the 1970s scandal which brought Mr Botha to power pale by comparison. This case – known as the Info-scandal – was the first to reveal the corrosive effect of long years in power, the growth of bureaucracy and the habit of secrecy on the South African political system.

The scandal involved the clandestine use of public funds to set up pro-South African lobbies abroad and pro-government newspapers at home to improve South Africa's image after the 1976 Soweto uprising and the start of the war in Angola. It was accompanied by foreign exchange violations, misappropriation of funds, and lying to parliament by Mr Cornelius Mulder, the Minister of Information and heir apparent to the Prime Minister at the time, Mr John Vorster. He denied that a new English-language newspaper, the Citizen, was government funded and was forced to resign when the proof came to light. Mr P.W. Botha, until then an outside contender, stepped in and won the leadership.

During his decade in office the powers of the presidency have sharply increased. The system of government has been overhauled to meet the presumed challenge of a "total onslaught" against the state from inside and abroad. The ensuing "total strategy" increased the size and secrecy of government and the military-security complex but diminished accountability to parliament and restricted civil liberties, including press freedom. It led to apartheid reforms, a split in Afrikanerdom and rapid growth in the military-industrial complex. But it has not fully addressed the issue of democratic participation by all races.

During 41 years of National Party rule, many checks and balances have gone

Pretoria has opted for an unstable and expensive amalgam of coercion and co-option. The fruits can be seen in 10 black homelands, three racially separate houses of parliament for whites, coloureds and Asians and a jungle of bureaucracies. The profusion has contributed to the morass of political pay-offs, corrupt land and property deals, and financial rand irregularities which have surfaced in recent months.

None the less, South Africa's political system is still capable of policing itself. Some of the most damaging revelations have emerged from judicial commissions set up by the Government itself. Despite media restrictions, sections of both the Afrikaans and English press have kept their focus on the issues and allegations. The courts, although severely hamstrung by draconian security legislation, remain free to investigate and condemn.

Outspoken critics, like Mr Ken Owen, editor of Business Day newspaper, believe the root of the problem lies in the absence of an alternative government. During 41 uninterrupted years of National Party rule, many of the old Westminster-style checks and balances have been removed. The "imperial presidency" created by the 1984 constitution has also proved open to abuse. The state-run radio and television system, for example, has been reduced to a government propaganda agency. Its director general, Mr Riaan Eksteen, was dismissed by Mr P.W. Botha last year in what some felt was an act of personal pique. Other questionable uses of presidential power include Mr Botha's intervention to prevent the murder trial of six soldiers in Namibia, subsequently overruled by the Namibian bench.

Mr Pik Botha, as Foreign Minister the man in charge of relations with the so-called "independent states," shrugged his shoulders when faced with criticism recently. The Government, he said, calculated that around 5 per cent of the more than R2bn (£470m) which Pretoria channels to the homelands each year is "misappropriated." This was written off as "learning money," the inevitable consequence of giving money and responsibility to African chiefs whose culture included the receiving of "gifts" and dispensation of patronage.

Echoes of this relaxed attitude towards real or presumed tribal customs re-emerged last month. After months of public denials, Mr Sol Kerzner, the South African entrepreneur who has built luxury hotels and gambling saloons in all the homelands, admitted to the Harms commission that he had knowingly paid R2m to secure exclusive gambling rights in the Transkei homeland. His lawyers explained that Mr Kerzner, who was seeking to protect well over R100m of investment in the homeland, was the victim of extortion, not the perpetrator of a crime. Senior executives in his companies concurred.

Whether a new government will be able to dispel the scent of corruption remains to be seen. What may linger on, however, is a public distrust of government, which cannot be so easily eradicated.

OBSERVER

Referee for Imro

■ Richard Youard is leaving Slaughter and May, the City solicitors, after 30 years to become the Referee at Imro, and rather a lively appointment he may turn out to be.

Imro is the Investment Management Regulatory Organisation. It is not quite bound by statute to have an independent arbiter to deal with complaints against Imro members from investors who have lost money, but it has decided to give Youard a pretty free rein.

The decision took a long time. Youard says he was approached "in a typically establishment way" about a year ago. John Morgan, the chief executive at Imro, said the details took a lot of working out, including what the new post should be called. Ombudsman was rejected in favour of Referee, very much with a capital R.

Youard admits that he is an establishment choice in that "obviously Imro would not have wanted a full-blown nutter". And, of course, Slaughter and May is very much a blue chip firm. But, says Youard, there have been lots of changes in the City over the years, it has become less congenial and he would like to be free to give more of his views in public. For example, he thinks that the Bar has brought Lord Mackay's proposed reforms upon itself. He may have something to say about it, but does not want the reputation of becoming "a noisy loony."

He also says that working "full bat" at Slaughter and May – "the only way you could do it" – made it very difficult to do any kind of public service work, though he has been a DTI inspector. Imro will take perhaps two days a week: investors' complaints have been running at about 50 a month.

Now 56, Youard will take other jobs as well, but will be "fairly choosy" about accepting non-executive directorships. "I know a lot about business," he says, not immodestly. He plans both to write and to lecture, perhaps with a special emphasis on education.

Oxford style

■ Alain Camu, managing director of Petercam Securities and a director at merchant banker Hill Samuel, prepared himself for the commercial unification of Europe at an early age. He noted in his teens that technical men predominated among continental business leaders, while in Britain accountants were the thing.

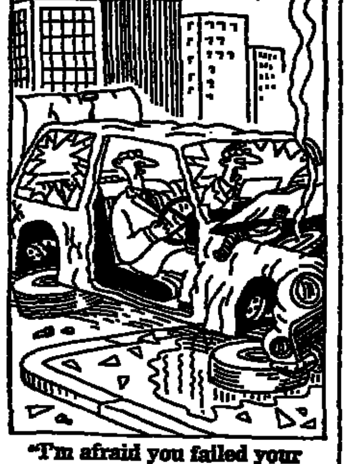
Thus he set out to equip himself for an international future with bouts of further education in England and Belgium, adding a masters degree in economics from Yale for good measure.

His first move, he told an FT conference in London yesterday, was to present himself for interview at Christ Church, Oxford, with a view to studying engineering. The then Hugh Trevor-Roper, now Lord Dacre, peered at the 17-year-old Camu, and in his best Lady Bracknell voice, said: "Young man, you mean you want to come to Oxford to study *plumbing?*"

IMO election

■ What could be a hot election campaign opened yesterday for the top job at the International Maritime Organisation, the only UN agency based in London. Its Indian Secretary-General, C. P. Srivastava, is retiring after 15 years.

The contest is likely to be between the developed nations, represented by the traditional ship-owning countries of



"I'm afraid you failed your tougher driving test on four counts, Mr Bartlett."

Europe and North America, and the Third World.

Norway has got in first with the nomination of Leif Nygaard, a career civil servant who organised a successful restructuring of Norwegian shipping to cope with a decade of recession. Nygaard has frequently represented Norway in negotiations on international shipping issues over the last 15 years and knows most of the IMO ambassadors. His Government is taking the election very seriously, partly because it believes that Norway is under-represented at the top of international organisations.

Nygaard is certain of two votes – from Norway and Sweden, and hopes for support from six other European members plus Poland and the Soviet Union, which is said to be sympathetic. Two other candidates may be about to enter the fray: William O'Neil, the Canadian head of the authority which runs the St Lawrence Seaway, and Thomas Mensah, a Ghanaian who is one of Srivastava's three deputies. Mensah contested the last election 16 years ago and is likely to get African support. But the key will lie with the Asian and Arab delegates. The 32 members of the IMO Council are due to vote in June.

Sad departure

■ Washington's Representative to the European Communities, Alfred Kingon, has earned a high reputation in Brussels in recent months both for plain talking and for bringing his moderating influence to bear on the often rocky relationship between Europe and the US.

It comes as slight surprise therefore – and perhaps to Kingon himself – that the new US Administration has not asked him to stay on.

The 57-year-old ex-publisher put a brave face on the resignation announcement yesterday, saying that "six years in government is enough", but admitted to "mixed feelings" about leaving the Community. "I believe in Europe, I believe in 1992, and I believe that, in spite of the problems that exist, there is a very reasonable chance that the Europeans will achieve all that they want to do," he said. "I've never used the words Fortress Europe and I'm not going to start now."

Neither his successor nor his next job have yet been confirmed, but Wall Street and magazine publishing are the most likely options.

Hope for BR

■ From our very own paper: " British Rail's Network South-East is replacing its old clocks with digital ones to improve the punctuality of services, Lord Brabazon, a junior Transport Minister, said yesterday . . . He said that train drivers would find it easier to see the clocks and he hoped that trains would then run on time."

BOOK REVIEW

Fluency that deceives

LA GRANDE ILLUSION

By Alain Minc

Bernard Grasset, FFr 98.00

ONE of the curiosities of the French intellectual scene is the facility with which prominent figures in public life produce books on current affairs. With the politicians, this is perhaps to be expected: Valery Giscard d'Estaing had plenty of time to write Le Pouvoir et La Vie after he lost the Presidency in 1981, and the discovery that he *had* real literary talents did much to boost his reputation; and just as Michel Rocard had time to write Le Coeur a l'Ouvrage *before* he became Prime Minister, so Edouard Balladur has just published Passion et Longueur du Temps six months *after* he ceased to be Finance Minister.

More surprising are the intellectuals who manage to combine the writing of books with major responsibilities in the world of business. In this category there are two particularly prolific authors – Michel Albert, the head of the major insurance group AGF, and Alain Minc, head of Cerus, Mr Carlo de Benedetti's French holding company.

Last year, Michel Albert published a populist analysis on the management of the world economy in tandem with Jean Boissonat, director of the Expansion newspaper group, under the title *Crise, Krach, Boom*. It brought his total so far to three books. But Alain Minc has just produced his sixth book, La Grande Illusion, a politico-militaro-industrial-economic essay on the dangers facing Western Europe in the years immediately ahead.

Although Minc is almost 20 years younger than Albert, the two men have at least three things in common. Each passed through the élite Ecole Nationale d'Administration, each went on to become Inspecteur des Finances, and each writes with a fluent certainty about how to manage the affairs of a complex world. Readers who feel that the fluency and the certainty are both overdone should remember that this is what their training was designed to engender.

The thesis of La Grande Illusion is that any facile euphoria surrounding the Single European Market, post-1992, is sadly misplaced. What is happening, he tells us, is that the Western Europe of which the European Community is the core, is gradually being displaced by a Continental Europe of which Germany is the pivot, and in which West Germany's urge for reunification, its need for demographic reinforcements from East Germany, its aversion to nuclear weapons, and its lack of enthusiasm for the integrationist model of the Communist world, will lead to the Finlandisation of Europe.

The response to this problem, according to Mr Minc, is that France must abandon the isolationist residue of its Gaullist defence doctrine, in order to extend its nuclear guarantee to the defence of Germany, must multiply the political and institutional links with West Germany, and must press full steam ahead for maximum integration in the EC.

At least, I think that this is what is proposed. Mr Minc's style is so turbulent, the prose such a mighty rushing torrent of Cartesian antitheses and seven-point paragraphs, not to mention sweeping assertions of doubtful reliability, that the reader's recurrent need to cry "Wait a minute . . . ", is swept away each time by the flood of words.

Yet there are obvious difficulties with the central argument. There are many in France who fear that West Germany is liable to slide towards neutrality. They may be right; but what Mr Minc fails to detail is the scenario by which this neutralism would be expressed. Would Germany leave Nato and the Community? Could the Soviet Union permit East Germany to reunite with West Germany on any terms? Are we seriously to believe that the Soviet Union will seduce West Germany economically, by borrowing up to the hilt in order to buy German goods?

The counter-strategy seems as questionable as the danger. Mr Minc tells us that France must extend its nuclear guarantee to the Elbe, but this excursion into nuclear strategy merely conveys the sense that he is out of his depth. Nuclear guarantees cannot be handed out like that. Moreover, Mr Minc's suggestion that France should publicly undertake to provide a nuclear detonator for the US nuclear deterrent might or might not impress the Russians; but if it were taken seriously by anyone, it would certainly enrage the Americans (whom Mr Minc wishes to retain for the defence of Europe), and it would terrify the Germans, driving them faster towards the anti-nuclear neutrality from which he wishes to save them.

Mr Minc always gets a very respectful hearing in France, because he is a brilliant young man who epitomises the intellectual glitter which the French so much admire, and the worldly success of the man of action. But in this case, the result of so much brilliance is rather disappointing.

Ian Davidson

ECONOMIC VIEWPOINT

A Budget for savings?

By Martin Wolf

Mr Nigel Lawson finds himself inundated with suggestions of how to increase savings. This is hardly surprising, since personal savings fell to only 1.3 per cent of personal disposable income in the third quarter of 1988.

Will the Chancellor dump these savings suggestions in the waste paper basket along with the rest of the special pleading that he endures at this time of year? It appears likely from the view expressed in the latest issue of the Treasury's Economic Progress Report.

It concludes that, with the public sector budget close to balance, "an excess of private investment over saving will be financed from overseas . . . This should cause no financing problems, given the prudent economic policies of the Government. The current account deficit is in any case likely to fall over the next few years." So the Treasury clearly believes that there is no UK savings problem or, if there is, it is already being corrected by current policies.

The true picture of UK savings was discussed on this page by Samuel Brittan last week. If the UK does, indeed, have a savings problem, it is not a recent one: the overall rate of national savings has altered little during the 1980s.

It is helpful to examine the three elements of that total: public sector savings; those of private corporations; and personal savings. One might have expected the public sector's contribution to savings to have increased in the 1980s. It has not done so, to any large degree, because a large element in the Government's squeeze on public expenditure has been the curtailment of public investment. The savings of private corporations have risen, however, from 11.3 per cent of GDP at factor cost in 1980 to 16.7 per cent in the first half of 1988. Meanwhile, personal savings fell precipitously – from 11.1 per cent of GDP at factor cost in 1980 to 3.2 per cent in the first half of 1988. Much of the decline has been concentrated in the short period since 1985.

There is a sharp contrast between the relative stability of total savings and the sharp fluctuations in the components. Changes in inflation are partly to blame. Under inflation a proportion of interest does no more than compensate recipients for the decline in the real value of their capital. That proportion is, in effect, a form of capital repayment.

When inflation is high, a sector with positive net assets has an artificially increased income and savings rate, and vice versa. Consequently, conventional national accounts misallocate savings among sectors when inflation is high. They also incorrectly measure trends in sectoral savings when inflation rates change.

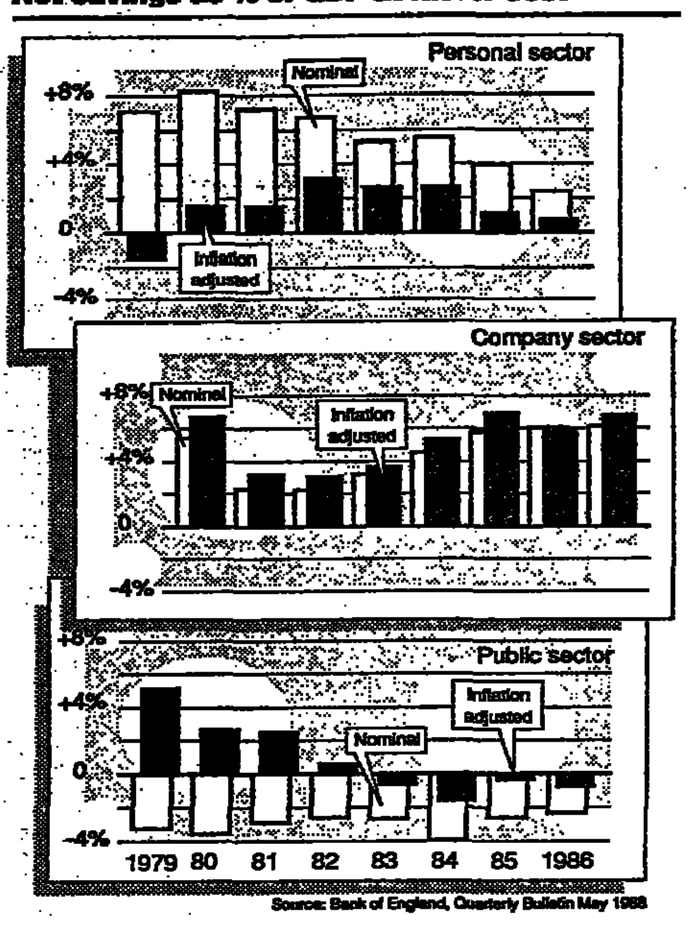
The scale of the measurement error is revealed in the charts. They show both unadjusted and inflation-adjusted sectoral net savings between 1979 and 1986, after providing for stock appreciation and net capital transfers. The trend in household savings in the 1980s is entirely altered by this adjustment: the high level of nominal saving in 1979, for example, is transformed into dissaving. The sharp decline during the 1980s is made much less severe by inflation adjustment.

These are simply accounting adjustments. But there are also economic links between the savings behaviour of the different sectors. For example, the Organisation for Economic Co-operation and Development estimates that the decline in the personal savings ratio between 1982 and 1987 caused 40 per cent of the total growth of private consumption in the UK over those years. When personal sector consumption stimulates economic growth in this way, both corporate profits and fiscal revenue will soar and the savings of both sectors will rise.

Another economic link between public and private savings is "crowding in," as the reduction in government borrowing improves the opportunities for private borrowing.

For the UK personal sector the most important of these economic links is with the savings of the corporate sector. The private corporate sector is, after all, directly or indirectly owned by the UK personal sector (except to the extent that it is owned by foreigners). One link between corporate behaviour and that of the household sector is via pensions contributions. Pension "holidays" are counted as a decline in personal savings. But the reduction in such contributions increases corporate savings, which then raise equity prices and so tend to increase personal wealth.

Net savings as % of GDP at factor cost



Source: Bank of England, Quarterly Bulletin May 1988

UK personal saving

	Change in net wealth[1] as % of PDI[2]	Savings[1] as % of PDI[2]
1977	11.66	10.01
1978	43.06	11.41
1979	45.80	12.58
1980	−14.20	13.82
1981	−28.92	12.79
1982	14.71	11.79
1983	40.92	10.36
1984	26.13	10.54
1985	22.75	9.48
1986	59.73	7.34
1987	53.15	5.44

[1] In 1987 prices. [2] Personal disposable income. Source: The CSO Blue Book, 1988 edition

Such changes in wealth are of more general importance. While measured personal savings rates have been declining (even on an inflation-adjusted basis), personal wealth has been soaring. Since 1982 the increases in real net wealth of the personal sector (deflated by the retail price index) have been so large that it is hardly surprising that people have been willing to reduce their saving.

The soaring real wealth of the personal sector has been caused by the appreciation of the housing stock; and by the rise in value of its direct and indirect equity holdings (which together account for close to 70 per cent of all household assets).

Overall, there are three principal conclusions:

- The overall national savings rate has not declined significantly over the 1980s
- It makes little sense to focus on the savings behaviour of individual sectors, especially when the conventional accounts are so misleading
- The decline in the savings rate of the household sector even after inflation adjustment has probably been influenced by increases in real wealth. When real asset prices no longer rise at recent rates, one can anticipate a reversal of savings behaviour, too.

None the less, savings may be a problem. Perhaps the savings rate has always been too low; or perhaps the recent surge in investment, and the corresponding increase in the current account deficit has made it too low.

By international standards the rate of saving (and investment) in the UK is, indeed, unimpressive. As a percentage of GDP at market prices, the gross savings rate of the UK in 1986, at 18.3 per cent, was 3 percentage points below the OECD average and substantially below those of Japan (32.1 per cent), West Germany (23.4 per cent), Italy (22 per cent) and France (19.7 per cent), though somewhat above that of the US (15 per cent).

In addition, net investment in the UK has been in marked decline, from over 9 per cent of GDP at factor cost in the late 1970s, to below 6 per cent in 1986 and 1987.

Even if a higher rate of savings were desirable in the long term, the Government would deny responsibility for bringing this about. But so long as it absorbs some 40 per cent of GDP through a complex and distorting system of taxation, can national savings really be none of its business?

More immediately relevant is the macroeconomic problem caused by the surge of investment in 1988. The right policy response has already been adopted: to allow fiscal drag to increase the public sector debt repayment, now expected by *the IFS to reach £12bn in* 1988-89, and to tighten monetary policy. The latter is particularly important since credit expansion has been behind the housing boom that has had such strong effects on household wealth.

In the longer term, however, macroeconomic policy is not a particularly plausible means of *raising national* savings. Monetary policy will not remain this tight forever, while, sooner or later, a large Budget surplus is likely to mean higher expenditure or lower taxes. Whatever fiscal incentives might be chosen, they should be directed at raising the overall national savings rate, while not infecting a still unsatisfactory tax system with yet further distortions. Better still, the changes should remove old distortions, of which there are plenty in this area.

The most desirable change would be towards an expenditure tax system, which would end taxation of savings altogether, but this has been ruled out by the Chancellor. The most attractive alternative would seem to be a lowering of the corporation tax rate. Furthermore, as the IFS notes in its Green Budget, there is an efficiency argument for lowering the corporation tax rate to the basic rate of tax because interest costs would then be attract the same tax relief as dividends.

So far as personal taxation is concerned the main problem remains the favourable treatment accorded to savings invested in housing and pensions. If the Chancellor does not feel able to do anything about these privileges, the obvious alternative is to improve the treatment of other savings. One way would be to increase the size of Personal Equity Plans, while extending the eligible range of assets.

The Chancellor has already chosen the best way of correcting the immediate problem of excess demand and (unless he is very imprudent) this is unlikely to change after March 14. What is not needed is the equivalent in the field of savings of the decision to make the health insurance contributions of the elderly tax deductible. Fortunately, despite Mr Lawson's claim that he has completed the task of tax reform, he possesses plenty of opportunities to do much better than this where savings are concerned.

Samuel Brittan is on holiday.

LOMBARD

How to solve a labour shortage

By Robert Taylor

THE COUNTRIES of the Nordic region that lie beyond the boundary of the European Community are a comfortable haven of full employment.

In Sweden the official jobless figure is a mere 1.1 per cent of the labour force; in Finland the proportion is higher, but still only 4.7 per cent. In Norway the figure climbed suddenly this winter to 4.0 per cent, the highest total recorded there since the 1930s, but by Western European standards (over 11 per cent) it remains extremely low. In Iceland about 0.75 per cent of workers are without a job.

Low unemployment has become the norm in these parts. Unlike most of the industrialised world, the Nordic countries outside the EC managed to avoid the return to mass unemployment that occurred in the years after the 1973 oil price shock.

Indeed, the chronic *lack* of labour is now the biggest obstacle to the continuing growth of the Nordic economies. In Sweden the Government is introducing supply side measures designed to encourage people to work harder, but the income tax cutting plan (announced last November) does not come into force until 1991. In the meantime, Sweden's main export industries are crying out for workers, particularly those with marketable skills; there seems little prospect of any immediate alleviation of what is nothing less than a crisis.

It is much the same in southern Finland: the engineering industry reports particularly severe difficulties because of labour shortage. The Norwegian labour market is less bullish this winter, but the medium-term outlook suggests that in the 1990s one of Norway's biggest economic problems will be finding enough workers to meet demand.

Certainly there seems little scope for finding the labour among the existing population of the Nordic region. More women already go out to work there than in most other European countries. Extra supply, from older workers encouraged to stay on beyond official retirement age, is limited.

The answer is surely for the area to encourage inward migration from the EC, where unemployment remains substantial. There could be no better tangible way for Sweden, Norway and Finland to demonstrate their commitment to a greater convergence of their economies with the EC. Indeed, the Nordic governments are – with varying degrees of urgency – already starting to harmonise in line with the EC, in time for the creation of the internal market in 1992. The free movement of labour is supposed to be a key element.

However, until now the Nordic region has a patchy record in its attitude to the sensitive issue of immigration. To be sure, Sweden can boast a fairly generous policy towards political refugees and it provided job opportunities for economic immigrants before the 1970s. An estimated 10 per cent of the Swedish population are of foreign extraction, though most come from Finland. (The high rates of marginal taxation ensure that it is well-nigh impossible for companies to recruit key foreign personnel to work and live in Sweden.)

The picture is more dismal in Finland and Norway. Less than 0.5 per cent of Finland's population is of foreign extraction; a state of affairs amounting almost to a national scandal. This week the Finnish Government announced that it would increase its annual refugee quota, 300 a year, in stages to 1,000 refugees by 1995. In Norway, immigration controls were tightened up in 1988 – though only 3 per cent of the population comes from abroad. In Iceland the number of people of foreign extraction outside the American Keflavik airbase is very small.

It would be a gesture of goodwill as well as a sensible act of economic calculation if the Nordic countries decided to remove immediately the legal and fiscal restrictions still blocking inward labour mobility. Helping to solve its own worker shortage crisis, at the same time reducing mass unemployment in the EC, would symbolise the admirable mixture of idealism and common sense that has done so much to make the Nordic region one of the most affluent and equitable in the world.

LETTERS

BSA bet

From Mr Robert Houlton.

Sir, I enjoyed Lex (February 6) on the membership dilemma which Abbey National poses for the Building Societies' Association (BSA), and the acerbic side-swipe at the commercial banks "whose ability to waste customer's money in the pursuit of so-called profit is embarrassing."

However, the suggestion that the BSA should rename itself the Housing Finance Association, and open its membership to those "embarrassing" banks, lacks conviction.

The BSA's focus at its meeting today should be on developing its mutuality traditions and the contribution it has made to social and economic development in Britain and around the world. A wider association is needed, embracing friendly societies, co-operative societies, credit unions and other mutuality bodies.

The Government has successfully confronted various economic vested interests over the past decade. It has promoted each-way bets on privatisation issues on terms no self-respecting greyhound racing punter could ignore, but it has largely failed to move public attitudes towards self help.

The BSA could provide leadership and vision, not only in Britain but also in a wider European context. A broader representation is what is required. This may be hard to sell to certain self-congratulatory, self-perpetuating oligarchies. But it is worth trying.

Bob Houlton,
Principal, Co-operative College,
Stanford Hall,
Loughborough, Leicestershire

Problems in policy-making

From Mr Terry O'Shaughnessy.

Sir, Samuel Brittan's olive branch (Lombard, February 6) is welcome. In fact, there is more common ground than he suspects, but to see this we must question a Keynesian assumption he seems to retain.

Keynes assumed that, even in times of high unemployment, capacity was sufficient to employ the whole labour force. Keynesians like Lord Kaldor, who were certainly concerned about the growth of capacity, thought that sufficiently buoyant demand would induce entrepreneurs to create any required level of capacity.

Unfortunately this is not so, at least in Britain. The problem was there even during the 1950s and 1960s: entrepreneurs who responded to high levels of demand by expanding capacity were proved wrong when policy was reversed; those who had sat tight found they had not missed an opportunity.

Over time, the accelerator mechanism linking demand and investment weakened, capacity growth slowed and the level of unemployment compatible with external balance increased. Massive scrapping in the early 1980s compounded the problem.

Certainly the resulting numbers look very like those for the non-accelerating inflation unemployment rate (Nairu); capacity constraints, in fact, provide an explanation of changes in the Nairu which we are likely to miss if we focus too singlemindedly on the labour market.

When capacity is tight, firms can more easily widen margins without worrying too much about local or foreign competition, while firms and workers together are much more likely to agree to wage increases, so that the inflationary process involves both product and labour markets.

If capacity constraints are important in this way, it makes little sense to claim, as Mr Brittan does, that "it is the resistance of labour market institutions to market clearing real wages which constitutes the obstacle to full employment" – there may be no such real wage.

Mr Brittan points out that alternative international arrangements could make the external balance as irrelevant as that between different regions of one country. Would that it were so. The problem is that it is hard to imagine countries in surplus willingly subsidising those in deficit for ever. Until the political changes required are carried through – and these would involve much more than monetary union – and while policy is made at a national level, there will be stronger tendency for deficit *countries to contract* than there will be for surplus countries to expand their economies.

This is the world in which we actually live, and for which policies promising full employment will have to be designed.

Terry O'Shaughnessy,
Pembroke College,
Oxford

From Mr Graham Hallett.

Sir, Samuel Brittan's argument (Lombard, February 6) that a country cannot have a balance of payments problem, because any deficit could be eliminated by a monetary union with a "surplus" country, seems rather like arguing that a firm cannot have a loss-making problem because it could be eliminated by a take-over by a profitable firm.

If a country with a "balance of payments" problem entered a monetary union, this problem could well be replaced by other problems – for example, higher unemployment. The fact that the balance of payments is not the only problem does not mean that it cannot be a problem.

Mr Brittan once argued that a country could not have a balance of payments problem if it *floated its currency*. Both views seem to assume that trade flows depend primarily on price differences. But for many products today, price is less important than quality and performance. Anyone who looks in the shops must be struck by the fact that most of the more sophisticated products are made in Germany or Japan – which surely has a bearing on the balance of payments.

Economists have perhaps neglected the issue of quality and design because it cannot readily be encapsulated in statistics.

Graham Hallett,
School of European Studies,
University of Wales,
PO Box 908,
Cardiff, Wales

Convey the message

From the Director General, The Building Societies' Association.

Sir, Mr David Ashford (Letters, February 4) says that neither banks nor building societies ever sought or fought to provide conveyancing services, and that the idea was imposed on them by "frustrated parliamentarians lobbied by a misguided Consumers Association." Mr Ashford is wrong. The Building Societies Association has for several years been fighting for building societies to be able to provide conveyancing services.

Mr Iain Gow (Letters, February 4) suggests a practical aspect of conflict of interest, in that a lending institution's in-house solicitor's duty to his employer might conflict with the advice which might be given by that solicitor to a customer client, in relation to, say, lending charges.

In practice, solicitors are not asked for, are not qualified to give, and do not provide advice on such matters. If house buyers want such advice, then independent solicitors will get their business. But for those who merely want a solicitor to do what he is well qualified to do – that is, convey the property – there is no problem.

Mark J. Boléat,
3 Savile Row, W1

Read, mark, learn . . .

From Mr Clive Bradley.

Sir, As a piece of selective, opinionated, inaccurate history, William St Clair's article ("Bibliophilia," Weekend FT, February 4) is a classic. So far from being continuously restrictive, the publishing industry is well known to be highly competitive, with low concentration ratios, an enormous number of participants, great variety of product and considerable ease of entry.

Mr St Clair's only true statement is that if you go out to buy a biography of Shaw you would find a biography of Shakespeare an inadequate substitute. Exactly. Availability of the books you want is crucial to the consumer. That is what the Net Book Agreement (NBA) is there to achieve, by encouraging wide stockholding and easy availability of a very widely varied and extensive product.

Also – as economists have demonstrated and the courts accepted – it helps keep book prices down. Prices of consumer books have declined relative to inflation in this decade. In the US, where there is no NBA, books have gone up by much more than inflation.

Clive Bradley,
The Publishers' Association,
19 Bedford Square, WC1

FINANCIAL TIMES
Thursday February 9 1989

Industrial unrest looms in Spain after talks collapse

By Peter Bruce in Madrid

SPAIN almost certainly faces widespread industrial unrest this spring following the complete failure of a final round of talks on trade union demands on Tuesday night between the Government and the country's two main trade unions, the socialist UGT and the communist-led CCOO.

The two sides have held a series of lengthy negotiations since the unions led a successful 24-hour general strike against the conservative drift of government economic policies in December. Despite a government offer worth Pta344bn ($2.96bn) over two years to equalise pensions with minimum wages, compensate public sector workers for loss of income last year and to increase unemployment cover, the unions have walked away threatening new public sector strikes.

The failure of the negotiations also appears to mark the end of Spain's *concertacion social*, an effort begun in the late seventies to agree a form of annual or biannual incomes policy between the unions, employers and Government.

The next few months will also have a direct bearing on the political future of Mr Felipe Gonzalez, the Prime Minister, because he may be forced to call elections earlier than he needs to. The century-old partnership between his Socialist Party and the UGT also appears to have been irretrievably broken.

Although Mr Txique Benegas, the Socialist Party's chief administrator, was yesterday warning that the failure of the talks should not be over-dramatised, both sides have made it clear that Tuesday's talks were a final attempt. Mr Benegas has already added fuel to the flames by proposing that the Socialists begin selling their policies directly to workers on the factory floor, a job traditionally done by the UGT.

Spanish unions are funded by the State depending on their nationwide representation on corporate works committees and the Socialist Party threat to put their own people on these boards is a direct challenge to the UGT. Union leaders have accused the Government of trying to place "political commissars" in factories.

Mr Gonzalez has also threatened that should negotiations with the unions fail he would consider reinstating a controversial youth unemployment plan that provided the original spark to the December general strike. The plan would allow employers to take on unemployed youngsters at minimal rates and without any promise of long-term employment. Unions say the youngsters would be used to replace older, better-paid workers.

The UGT and CCOO leadership was meeting yesterday evening to map out a strategic response to the failure of their negotiations with the Government. The annual wage round has already begun and a number of big private sector employers have settled well above the Government's 4 per cent guideline.

But the wage round involves nearly 3,000 seperate agreements and there is still a great deal of room for disruption. The unions are, anyway, much stronger in the public sector and transport, television, postal and communications services are all very vulnerable.

Mr Gonzalez will try to shift the political focus to parliament over the next few weeks, although observers believe he will find little comfort there. He is due to give a State of the Nation address in the Cortes on February 14 and may even announce a modest package of social measures then, but the opposition has been gearing itself up for an early election and his speech seems likely to be met by unanimous calls for his resignation from the other parties.

He still has a healthy majority, however, and appears to want to ride out any coming storm until summer next year when elections become mandatory.

Paranoia in the Chicago futures pit

The FBI fraud inquiry has hit trading volume, writes Deborah Hargreaves

VOLUME has slumped on Chicago's major futures exchanges as investors sit nervously on the sidelines amid the massive FBI investigation into the industry.

Traders are subdued in the windy city's normally raucous markets as they discuss the future of futures in the wake of the 300 subpoenas dished out to many of their colleagues. In a closed meeting at the world's largest exchange, the Chicago Board of Trade, Mr Cash Mahlmann, the chairman, reflected the market's paranoia when he tapped his microphone and said – only half jokingly – "this is not the only one in the room".

The FBI is still gathering evidence from traders testifying before a grand jury and has not yet issued any indictments in the huge futures fraud inquiry. But it is not expected to be long before the agency issues convictions to Chicago futures traders in an investigation aimed at uncovering multi-million dollar fraud at the city's exchanges.

Chicago's exchanges have already moved to deflect criticism by announcing reviews of their trading procedures in an attempt to tighten up surveillance. The Chicago Mercantile Exchange has appointed an industry panel to look into its rules and make recommendations for change.

The exchanges worry that their much-prized self-policing system may be at stake. As self-regulatory organisations, the exchanges are responsible for monitoring trading on their floors and disciplining any members who break the rules. Their enforcement activities are overseen by the industry regulator, the Commodity Futures Trading Commission.

Picture: Ashley Ashwood

An FBI fraud inquiry has subdued both traders and investors on Chicago's futures exchanges

A CFTC official believes that the sort of conduct under investigation by the FBI is not necessarily detectable by exchanges' current records.

"We expect the exchanges to take another look at some of the things the CFTC has suggested in the past and they have not picked up on," the official said. This could involve overhauling systems for tracking trades and identifying trade practice abuses.

The CFTC itself is up for re-authorisation by Congress this year – a process that will bring calls for it to be tougher on the futures industry. Re-authorisation hearings are usually a fairly tame forum for rubber-stamping the Commission's jurisdiction for another three to five years. But this year Congress will want to look carefully at the CFTC's responsibility towards policing trading abuse in the industry.

One of the trade practices likely to receive the most fire from the fraud inquiry is the tradition of dual trading in Chicago's markets. This allows traders to fill customer orders as well as trade for their own accounts – a practice which can lead to obvious conflicts of interest.

Dual trading has been the target of some harsh criticism in recent years. In the fall-out from the fraud probe, an influential association of brokers at the Chicago Mercantile Exchange has announced it will ban its members from the practice.

Exchanges have argued in the past that dual trading is necessary to enable independent traders to make a living – since they can trade for themselves when the customer order flow is quiet. But two years ago the CME was forced to introduce new rules governing the practice in its busy Standard Poors 500 stock index futures pit after customer complaints about poor order executions.

Separately, the Chicago Board of Trade is considering imposing a limitation on its traders that will force them to trade for the same account with which they open the trading day. For example, if traders start off trading for themselves, they must continue to do so all day and not intermix customer orders. However, it is unclear how such a proposal would be monitored.

The Board has faced some dissent among its members about its uncharacteristically tight-lipped reaction to the FBI operation. Some traders say the exchange board should have been more open to a response.

The exchange's smaller rival, the CME, stole the initiative by declaring there were inevitably rotten apples in the barrel, as in any business. . . but they should be rooted out.

A potent issue in the reaction to the fraud inquiry has been the onset of electronic trading and the more accurate audit trail it would provide. With approval for the CME's Globex last week – an after-hours screen trading system under development with Reuters, the UK information group – industry regulators have paved the way for the electronic age in futures.

Many traders fear screen trading will infringe on their time-honoured practice of open outcry, whereby bids and offers are yelled to a seething mass of fellow traders in a crowded arena. The Chicago Board of Trade had, until recently, backed this assertion and remained a vehement opponent of electronic trading.

But in a complete reversal of its policy, the exchange is now considering its own version of screen trading in a bid to move towards a 24-hour marketplace. The Board introduced an evening trading session to extend its open outcry hours and appears ready to try electronic trading as well.

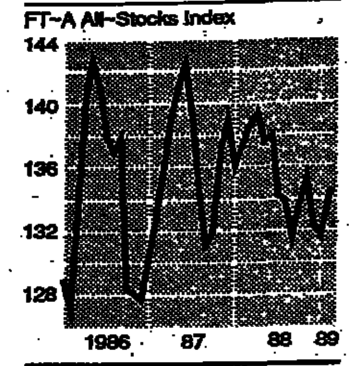
The Board is planning an announcement on screen trading soon in a move that will inevitably disappoint many of its traders who saw the exchange as a champion for open outcry.

Nevertheless, both Chicago exchanges are struggling to come up with improvements that will reassure public investors, without being priced out of business. They have long feared the imposition of costly regulation that would make Chicago less competitive in the increasingly global futures industry.

THE LEX COLUMN

No gingerbread for gilts

The gilt market post-Big Bang is liquid, international, fully electronic, orderly, and offers a great deal to the end user. It is also losing £2m a week. While the Bank of England's progress report addresses the two subjects as if they were unrelated, the market's ultra-competitiveness is partly a consequence of admitting too many players in the first place. Arguably, the Bank should take the blame for allowing 27 huge international players into a shrinking domestic market, even though it did not know then that the market was shrinking, and understandably did not want to turn away well qualified candidates at a time when everyone was obsessed with big international free markets. Still, in presiding over the devastation that must now follow, the Bank does not emerge in a particularly good light.



Regardless of who was to blame, there is every sign that gilt market losses will deepen. Failing a change of Government, the Bank's gilt edged shopping list is likely to get longer and longer, and the resulting reverse yield curve and inactivity at the long end of the market are the worst conditions for traders trying to justify their generous salaries.

Unfortunately, any return to profitability is not likely to come from other sterling fixed interest instruments – which despite the Bank's optimistic noises are still worth peanuts – but from a mass departure by existing players. There is probably room for about 5 or 6 big firms and a similar number of small ones; unfortunately, the remaining dozen or so appear in no hurry to withdraw. Many UK houses cling to the sentimental notion that the gilt market is a core business, come what may; the Americans are being surprisingly tenacious,despite above average losses; and the Japanese, after all, have only just arrived.

Reedpack

As management buyouts go, Reedpack seems out to break all the rules. It started life last summer on the unconventional premise that it would do nothing to pay down its debt, preferring instead to maintain its capital spending until the whole exercise was paid off by subsequent flotation. It now also proposes to enter a new £200m joint venture – presumably leveraged in its turn – to which it will contribute some of the assets which are pledged under the original buyout.

Though the idea is nothing if not ambitious, one can see its attractions. Daishowa, Reedpack's partner, has the international ambitions, and it has the cash. It also, like Reedpack, has specific expertise in recycling paper, and Reedpack's Maybank subsidiary is the biggest waste paper merchant in Europe. Although the newsprint industry is due for a cyclical downturn; the new machine would not be fully on stream before 1992, by which time the next upturn should be in prospect. If Reedpack's flotation meanwhile stays on timetable for 1991, pricing it will be an interesting exercise; but prospective investors can certainly rest assured that it will not have been run for cash in the meantime.

Takeovers

The Bank of England's latest thoughts on takeovers provide useful backing for Lord Young's relaxed attitude on the balance of advantage between the UK and overseas. So far from being at the mercy of foreign predators, British companies, it seems, should be so lucky. In the takeover boom of the past two years, outward acquisitions have outnumbered inward ones by seven to one; and whereas 80 per cent of British acquisitions by value have been in the States, US companies have actually raised more in the period by selling UK companies than they have spent on acquiring them.

As for the reciprocity argument, it appears that of 157 foreign acquisitions of UK companies from 1986 to third quarter 1988, the number contested totalled just five. There is a paradox here. The chief reason for UK companies' recent acquisitive bent, as the Bank insists, is that they are stuffed with cash: their return on physical assets is higher now than at any time since the late 1960s. All those booming companies, at the gateway to 1992, wide open to hostile action: it seems odd that only a handful of Australians and a couple of Swiss have noticed.

Union Discount

In a world where interest rates go down when they ought to go up, and then rebound further and faster than anyone thought possible, looking for much in the way of profits from the discount houses is asking the impossible. At least, that seemed to be Union Discount's view of the worst of all possible monetary worlds created by the Chancellor in 1988.Profits fell 69 per cent to £3.5m – even further when one remembers that the previous year's £11m was struck after transfers to inner reserves – but the result might well have been much worse. Unfortunately, the market was expecting better; and despite the optimism suggested by an unexpected – and uncovered – 4.6 per cent rise in the final dividend, the shares bucked the market trend to end the day 3p lower.

Meanwhile, the diversification effort proceeds apace, with non-discount house business accounting for 40 per cent of profits this time - though as the company candidly admits, when the total is this low it is not hard to make the higher quality earnings look important. Maybe Sir Ron Brierley's 17 per cent stake in the company suggests he has some grand vision of its future, but it would not do to count on it.

Hanson

Has Hanson lost its touch? Selling its stake in Thomson T-line at a small loss, and allowing Ladbroke to get away with a bargain, looks a pretty clumsy manoeuvre. Blaming it all on the Takeover Panel simply will not do. While the Panel decision to prevent Wembley from making a higher offer may have deprived T-Line's shareholders of a few extra pence, the principle of holding companies to such vague promises as not to bid "for the present time" seems well worth keeping. It was just as well that signs of the master deal-maker were evident yesterday in the disposal of Hanson's US spam and frankfurter subsidiary at 18 times book value.

US concession on farm trade with EC

By William Dullforce in Geneva

HOPES of an end to the deadlock between the US and the European Community over farm trade reform rose yesterday following a concession by the US on short-term reform measures.

The concession, which follows months of stalled negotiations, came when Mr Michael Samuels, the US ambassador to the General Agreement on Tariffs and Trade in Geneva, said that Washington was willing to start detailed talks over the short-term measures to cut government payments for farm production and exports.

Failure to resolve the deadlock at the Montreal trade ministers meeting in December led to fears that the Uruguay Round of multilateral trade negotiations could be derailed.

The concession means that at next week's meeting in Geneva of farm negotiators called by Mr Arthur Dunkel, director general of Gatt, serious discussion can start on such matters as a freeze on present levels of farm payments, cuts in subsidies and the measure to be used in determining the sizes of the reductions.

Mr Dunkel has been given until April by trade ministers to end the stalemate on four issues, including agriculture, which brought the Montreal talks to a halt.

Until now, the US has refused even to discuss the short-term actions advocated by the EC and other non-EC agricultural exporting countries, until the Community committed itself to the long-term objective of eliminating all trade-distorting supports to farmers.

Mr Samuels emphasised that the US still tied implementation of short-term action to the long-term commitment but added: "We are prepared to have a detailed review of ways of addressing the short-term."

The US had shifted its position "because we care, we want to get things moving and to give impetus to the (agricultural) negotiations."

Recent signals from Brussels, including a statement by Mr Frans Andriessen, the new Trade Commissioner, that the European Commission was re-examining its position on the farm issue, suggest that both sides are trying to close the wide gap between them.

Washington's agreement to discuss short-term farm reform was helpful, said Mr Alan Oxley, Australia's chief delegate to Gatt.

Mr Oxley usually speaks for the 13-nation Cairns group of farm exporting nations which includes the five Latin American countries that refused in Montreal to let the Uruguay Round progress until the US and EC had resolved the farm issue.

However, Mr Oxley sounded a cautionary note. Some governments were worried that the task to be addressed might be too big for the time available and were unhappy about the "climate of complacency that still prevails," he said.

Argentine currency falls again

By Gary Mead in Argentina

ARGENTINA's currency continued a dramatic slide against the US dollar yesterday with a black market devaluation of almost 35 per cent against last Friday.

On Tuesday three new exchange rates came into effect, with the central bank ceasing to sell US currency to stabilise the austral. Since then the newly free-floating austral has witnessed frantic trading.

By late afternoon yesterday unofficial exchanges in the streets of Buenos Aires were buying the US dollar for 26 australs. The previously symbolic barrier of 20 australs to the US dollar disappeared with scant notice early on Tuesday. In some parts of the interior – the industrial city of Cordoba for example – the US dollar closed for the afternoon at 29 australs. Nine months ago the US dollar bought fractionally less than 10 australs.

As part of the Government's latest economic measures include the lowering of bank reserve requirements, potentially releasing an estimated 7bn australs, speculation increased that the black market exchange rate could reach 30 australs to the dollar before the market settles down.

The decision to relax a tight monetary policy, which only last week had been strongly defended by Mr Jose Luis Machinea, president of the central bank, means the Government has scored a partial success in one area. Monthly loan interest rates have slightly fallen, to just over 15 per cent, from last week's 20 per cent.

The turbulent market reaction to once more having a free floating exchange rate for the US dollar is accompanied by some fierce criticisms from various sectors of political and economic life.

Rocard appeals for UK to build ambitious Europe

Continued from Page 1

progress despite "the competitive race."

Mr Rocard warned that the free movement of capital foreseen by the single market risked submitting the European Monetary System to "hitherto unknown tensions" and that it was therefore necessary to make it operate "more solidly."

"It is difficult to conceive a truly unified market without a common currency," he said.

"Even if this objective is not realisable by 1993, an active impetus towards a monetary union must be given."

Great attention must also be given to the social aspects of a single market. Social rights were a fundamental part of the fabric of most European societies and they must be preserved as a "quid pro quo" for the greater efforts demanded of workers to make their economies more competitive.

Mr Rocard regretted that the efforts by France and Britain to develop their nuclear defence co-operation, not only for national reasons, but on behalf of Western Europe as a whole, had begun to stagnate.

France and Britain should intensify their dialogue on nuclear policies.

The fact that Britain was a member of Nato's integrated military command while France was not should not prevent pragmatic bilateral co-operation in specific fields.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	14	57	Dubrovnik	S	14	57	Malta	S	13	55	Rhodes	T	13	55
Algiers	F	15	59	Edinburgh	F	08	46	Manchester	S	09	48	Rio de J'o	C	33	91
Amsterdam	F	12	54	Faro	S	14	57	Manila	C	31	88	Rome	F	16	61
Athens	C	12	54	Florence	S	15	59	Melbourne	F	34	93	Salzburg	S	06	43
Bahrain	F	19	66	Frankfurt	C	10	50	Mexico City	F	25	77	San Francisco	C	10	50
Bangkok	F	32	90	Funchal	S	17	63	Miami	C	26	79	Seoul	C	07	45
Barcelona	F	13	55	Geneva	C	03	37	Milan	S	08	46	Singapore	F	32	90
Beirut	F	14	57	Gibraltar	F	15	59	Montreal	Sn	-3	27	Stockholm	F	05	41
Belfast	C	08	46	Glasgow	F	08	46	Moscow	C	06	43	Strasbourg	Fg	01	34
Belgrade	C	05	41	Guernsey	S	09	48	Munich	S	07	45	Sydney	F	28	82
Berlin	F	10	50	Helsinki	F	04	39	Nairobi	C	22	72	Taipei	F	21	70
Biarritz	S	16	61	H. Kong	C	15	59	Naples	S	15	59	Tangier	F	15	59
Bombay	-	—	—	Innsbruck	S	09	48	Nassau	F	28	82	Tel Aviv	C	17	63
Bordeaux	C	06	43	Inverness	C	06	43	New Delhi	F	22	71	Tenerife	F	19	66
Brussels	F	12	54	Islamabad	F	18	64	New York	F	04	39	Tokyo	C	12	54
Budapest	C	05	41	Istanbul	F	08	46	Nice	S	17	63	Toronto	C	-6	21
B. Aires	F	25	77	Jakarta	R	30	86	Nicosia	F	14	57	Tunis	F	15	59
Cairo	C	17	63	Jersey	S	10	50	Oporto	S	13	55	Valencia	T	08	46
Cape Town	S	24	75	Jo'burg	C	23	73	Oslo	C	12	54	Venice	S	08	46
Caracas	C	23	73	Lima	F	28	82	Paris	F	13	55	Vienna	D	01	34
Casablanca	F	15	59	Lisbon	R	14	57	Peking	S	08	46	Warsaw	C	08	46
Chicago	F	-6	21	London	F	11	52	Prague	Fg	01	34	Washington	F	-3	27
Cologne	S	09	48	Los Angeles	R	12	54	Reykjavik	F	-1	30	Zurich	Fg	00	32
Copenhagen	C	07	45	Luxembourg	Fg	01	34								
Corfu	S	16	61	Madrid	R	11	52								
Dallas	F	-5	23	Majorca	F	15	59								
Dublin	C	10	50	Malaga	T	12	54								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Losses in gilts market

Continued from Page 1

it had monitored the market to ensure that an adequate service was provided.

It found that the new market structure had achieved a considerable degree of success in meeting the objectives identified for it more than two years ago.

The Bank said the new market provided investors with a high degree of continuous access to government stocks in issue and had introduced vigorous competition among market makers which were drawn from both domestic and foreign financial institutions.

Investors had also benefited from the Big Bang reforms in that costs of buying and selling gilts had fallen, on average, by 60 per cent. The speed of execution of deals had also increased as had the size of deals

The Big Bang reforms have also led to a reduction in the concentration of market power in the hands of individual securities houses. In the pre-Big Bank market, two houses controlled 75 per cent of the market whereas now six houses share 45 per cent

ACCOUNTANCY COLUMN

Two more big audit firms criticised on thrifts

By Pratap Chatterjee

IT HAS NOT been a good week for big audit firms in the US. A further two of the Big Eight have been criticised over their audits of failed savings and loans associations (S&Ls), adding to the three mentioned in this column last week.

Arthur Young and Ernst & Whinney are the latest to be attacked over the quality of their audits of S&L clients. They join Coopers & Lybrand, Deloitte Haskins & Sells and Touche Ross, along with a clutch of smaller audit firms.

> Arthur Young and Ernst & Whinney are the latest to be attacked over the quality of their audits

The latest attack on the auditors emerges from a report by the General Accounting Office, the investigative arm of the US Congress, on the role of the auditors in the failure of 11 S&Ls in the states of Arkansas, Louisiana, Mississippi, New Mexico and Texas.

The GAO criticises the way six of the 11 audits were carried out. The auditors involved were JK Byrne (now part of Touche Ross), Deloitte Haskins & Sells, Ernst & Whinney, Arthur Young (two audits) and Greenstein, Logan.

The GAO report says that the firms did not verify S&L loan appraisals, allowed their clients to deviate from standard accounting principles and did not act when they exceeded exposure limits set by the regulators, among other matters.

It also blames the American Institute of Certified Public Accountants for not ensuring that its audit guidelines were up to date. The guidelines were last reviewed 10 years ago.

Responding to these criticisms, Mr Philip Chenok, AICPA president, said the institute will "accelerate the development of additional guidance for auditors of savings and loan associations", and that it would adopt recommendations made by the GAO.

AUDITORS OF TOP 500 EUROPEAN COMPANIES §

	Number of audits #	Proportion of total (%)
KPMG	93.5	18.7
Coopers & Lybrand	62.5	12.5
Price Waterhouse	47.0*	9.4
Deloitte Haskins & Sells	40.5	8.1
Ernst & Whinney	32.0	6.4
Touche Ross	30.0	6.0
Arthur Young	28.5	5.7
Arthur Andersen	21.5	4.3
Other audit firms	144.5	28.9

§ Analysis from Financial Times European Top 500 by Coopers & Lybrand
# Joint audits counted as half
* Does not include seven audits of Treuarbeit in West Germany, which has a co-operation agreement with Price Waterhouse

Twist in brand accounting saga

FURTHER interesting twist to the brand accounting debate emerged at a conference on the issue last week sponsored by Ernst & Whinney, writes Richard Waters.

Keen followers of this saga will recall that the accountants want to limit the occasions on which brands (and other intangible assets) can be shown in companies' balance sheets. Brands which have just been acquired should be recorded, while existing ones should not.

The rationale for this is that the value of an asset is easy to determine when you have just bought it: it is an identifiable cost, and so is not out of place in a cost-based balance sheet.

Existing brands, on the other hand, are too difficult to value and so should not appear. Take the method used by Ranks Hovis McDougall (and developed by consultants Interbrand) to value is brands.

The income from brands was multiplied by a subjective factor based on a number of tests of each brand's strength. The whole process, according to Interbrand, was a conservative one. Accountants have criticised it for being too subjective.

The distinction between existing and acquired may sound fine in theory. The practice is another matter.

Take the case of Grand Metropolitan, which has decided to show only acquired brands in its accounts (bringing it within the *guidelines laid down by the* Accounting Standards Committee). Mr Les Cullen, Grand Met's group finance controller, was asked at last week's conference how he distinguished the value of acquired brands from the pure goodwill element of an acquisition. Simple, he said: Grand Met takes the sustainable earnings from each brand and applies a multiple to it. The result, he said, is a very conservative one.

Does this sound familiar? It should do, since it is exactly the principle used by RHM.

This shows that it is no easier to put a value on a brand you have just bought than one you built from scratch. Banning one from the accounts while admitting the other is entirely arbitrary and should be rethought urgently by the ASC.

European restructuring

THE DEVELOPMENT of accountancy firms in Europe took another step forward last week when Coopers & Lybrand announced a restructuring to bring its various European operations closer together, writes Richard Waters.

Like Price Waterhouse before it, Coopers has set up a European board with its UK chairman taking the lead. *Unlike Price Waterhouse*, though, it has not set up a central partnership and is not about to consider profit-sharing between firms in different countries – "profit integration may dull the competitive drive," says Mr Brandon Gough, the new European chairman.

Coopers' individual firms in Europe have not handed strategic control to a central board without "a degree of nervousness", says Mr Gough. But the rules of the international accounting game are changing and there seems little choice. Take the following factors which have helped to prompt the Coopers move:

- Businesses which have gone international demand international services. Tax or merger and acquisition advice, for instance, have to be consistent "products" around the world.
- Management practices have also gone international. "The best managers in all parts of the world are starting to do things the same way," says Mr Gough. This also creates a demand for consistent services from accountants and other advisers.

> "The best managers in all parts of the world are starting to do things the same way"

- Big audit assignments are won internationally, not nationally. This means that the accountants need to take an international view of their client base, and develop a coherent marketing plan.

As the table shows, many of Europe's leading companies are not currently audited by the top international audit firms: targetting the 28.9 per cent handled by other firms is something currently exercising the minds of all the large auditors.

ACCOUNTANCY APPOINTMENTS

ENTREPRENEURIAL FINANCIAL DIRECTOR

c.£30,000 + car + performance related bonus **Northamptonshire**

Part of a major group of companies, our client is the U.K. market leader of playground equipment. Dynamic and success orientated, they now seek a Financial Director who can reflect the existing style of management and bring a sharp commercial edge to help shape the company's future.

Accountable to the M.D., your brief will develop beyond the Financial Controller and statutory accounts functions to making a decisive input into the business policies with a view to generating expansion especially in the direction of Europe.

Although a relevant qualification would be beneficial, specifically it is your business awareness and previous experience of running the financial side of a business unit within a large company which is important. Probably, you will be aged around 30.

In return, you can expect an excellent remuneration package including company car and performance related bonus.

If you are interested please write to or telephone Richard Small at the address below or telephone him during the evenings on (023065) 286.

Ian Whitemoss Associates Ltd.,
Regent House, 235-241 Regent Street, London W1R 8JU.
01-439 4911

Ian Whitemoss Associates Recruitment Consultants

ASSISTANT GROUP ACCOUNTANT

Expanding Motor Trade Group

c.£24,000 + Car + Bens **Surrey**

A fast expanding national group of motor traders with a turnover in excess of £150m seek a young qualified accountant keen to develop a career in Britain's third largest business sector.

Reflecting the group's attitude to acquisition and professional management, your duties will combine head office activities such as budgeting, management accounting and statutory reporting, with a roving audit requirement and special project work associated with acquisitions.

Aged mid 20's and ACA, ACMA or ACCA qualified, you should have had broad experience of accounting and ideally some exposure to auditing. Knowledge of spreadsheet systems would be an advantage. Future prospects for an ambitious individual are dramatic.

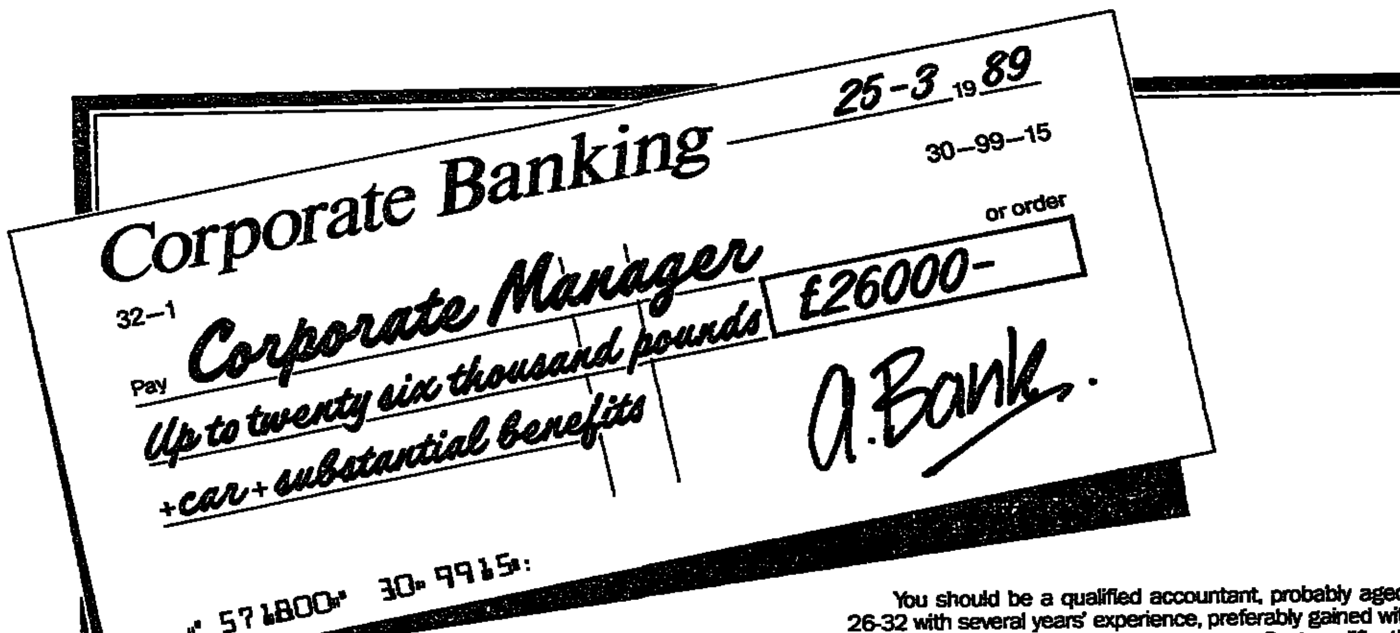
If you are interested please write to or telephone Richard Small at the address below or telephone him during the evenings on (023065) 286.

Ian Whitemoss Associates Ltd.
Regent House, 235-241 Regent Street, London W1R 8JU.
01-439 4911

FINANCIAL CONTROLLER

Excellent opening for commercially orientated Accountant with computer experience. A rapidly expanding company seeks an accountant to handle all aspects of financial and management accounting. Genuine career prospects.
Salary 20-25k depending on age & experience.

Please contact:
Multisecure Ltd - 01-208 1766



A well known and highly successful UK clearing bank is developing its corporate activities to keep pace with this fast growing area of business. A number of high-calibre qualified accountants are sought to become part of the management team.

Reporting to a senior manager you will manage a large portfolio of corporate accounts and be responsible for negotiating, arranging and controlling substantial financial facilities. Your performance will be judged against targets, giving you the opportunity to make an identifiable contribution to your own success.

The bank is committed to providing a high quality service and will provide substantial training and development to ensure you acquire the full range of skills necessary to operate effectively.

You should be a qualified accountant, probably aged 26-32 with several years' experience, preferably gained within the profession or financial services sector. Post-qualification industrial experience would be particularly useful. Ambitious and highly motivated, you should have the ability to establish good working relationships with clients. You will also need to be perceptive and able to quickly identify key issues before reaching decisions within your discretion. This is an excellent opportunity to develop your career in an expanding area of the business, with good prospects for further progression in the future.

The benefits package is excellent, including mortgage subsidy and preferential loan rates.

Send a full CV detailing your current salary and quoting MCS/8855 to: Steve Redwood, **Executive Selection Division, Price Waterhouse Management Consultants, Livery House, 169 Edmund Street, Birmingham B3 2JB.**

Price Waterhouse

Financial Analysts

International Music Business

Central London To £30,000

Warner Elektra Atlantic

Madonna • Fleetwood Mac • Tracy Chapman • Tanita Tikaram

WEA International Inc, with a turnover exceeding $1 billion operates through 30 affiliates with major markets in Europe, Australasia and the Far East. These new appointments which arise through continuing growth and internal promotion are with WEA International Services Ltd, which provides a comprehensive financial service to senior management and guidance and support to subsidiaries.

These posts should be attractive to qualified accountants in their mid to late 20's, who are keen to make a career in a progressive, fast moving international company, which utilises sophisticated computing and communication tools.

Your role will focus on areas such as financial reporting, consolidations, budget preparation, forecasting, interpretation of results and a variety of ad hoc analyses and investigations.

The company seeks excellence in all aspects of its business and the selection process will therefore concentrate upon identifying high calibre individuals who, in addition to offering a high standard of technical competence, combine high energy with an aptitude for initiative and creativity in problem solving. Well developed communication skills and strong computer literacy are also key aspects of the specification.

A working knowledge of Lotus 1,2,3, or some other similar spread sheet would be useful.

My client offers a competitive range of fringe benefits and career prospects are attractive. Applicants of either sex should apply in confidence to Michael Johnson on (0962) 844242 (24-hour service) or write to Johnson Wilson & Partners Ltd, Clarendon House, Hyde Street, Winchester, Hampshire SO23 7DX quoting reference 920.

Johnson Wilson & Partners
Management Recruitment Consultants

FINANCIAL CONTROLLER

W1 ACA/ACMA 28-35 years to £35,000 + car

Our client has recently established a link with one of the UK's fastest growing financial services groups. They are market leaders in their field of professional services and are planning substantial organic and acquisitive growth over the next five years. To contribute to this expansion, there is an immediate requirement for a Financial Controller of outstanding ability.

Reporting to the Managing Director, this individual will assume overall responsibility for all areas of accounting and financial control. Particular emphasis will be placed on the restructuring of both the accounting department and existing financial and operational systems.

Other key responsibilities will include the production of incisive management reports and participating in operating company board meetings, assessing the financial implications of potential acquisitions and investments and day to day cash management.

The ideal candidate will currently be working within a similar environment and will be able to demonstrate considerable commercial flair. Alternatively, candidates working at manager level within a major accounting practice would be considered. In addition, the nature of the role will demand highly developed management skills and the ability to win the confidence and respect of senior management. This position offers outstanding opportunities for advancement both at company and group levels.

Interested applicants should telephone David Ryves or Alison Gillow on 01-437 0464 or write, enclosing a full curriculum vitae to the address below.

ROBERT • WALTERS • ASSOCIATES
RECRUITMENT CONSULTANTS
Queens House 1 Leicester Place London WC2H 7BP
Telephone: 01-437 0464

ROYAL LONDON INSURANCE

Financial Controller

Colchester

to £30,000 + Car and Benefits

The Royal London is one of Britain's major expanding insurance groups with assets exceeding £2 billion and diverse operations covering life assurance, general insurance, unit trusts, and mortgage lending.

We now wish to appoint a qualified Accountant to control our group financial and management accounting function. This is a key role within our organisation, requiring a high degree of professionalism and commitment to the objectives of the group. Leading a team of professional and experienced staff, the responsibilities will include statutory returns, management reporting, budgetary control, and unit-linked pricing, all within a computerised environment.

Applicants, who are likely to be in their 30's, should have sound technical and management skills, and several years' senior accounting experience gained in commerce or industry.

Starting salary will be related to experience and there is an excellent range of benefits which includes:

• company car • annual bonus • non-contributory pension scheme
• low interest mortgage • luncheon and sports facilities
• relocation assistance where applicable.

To apply, please write with full details of experience, qualifications and present salary to:

The Personnel Manager,
The Royal London Mutual Insurance Society Ltd.,
Royal London House, Middleborough,
Colchester, Essex CO1 1RA.

Recently qualified CHARTERED ACCOUNTANT

A high profile role at the centre of the expanding Argyll Group.

c.£22.5K · 2L Car · West of London

This is a unique opportunity to obtain a high profile financial accounting role at the centre of Argyll, one of the country's most progressive retail organisations, with Safeway being the main trading subsidiary.

As part of the small Head Office team you will be involved in a wide variety of accounting issues, including tax and treasury, giving opportunities to deal closely with Main Board Directors. In addition, your knowledge and experience will be developed on various ad-hoc projects.

Success in this role requires commercial flair and good interpersonal and communication skills. Recently qualified or awaiting the results of your final examinations, you are likely to be in your mid to late 20's and computer literate with a knowledge of IBM PC's, Lotus and, ideally, FCS.

Future prospects within the group are excellent.

To apply, please write with your detailed cv to: Cathy Mercer, Personnel Manager, 6 Millington Road, Hayes, Middlesex UB3 4AY. Tel: 01-848 8744.

ARGYLL
GROUP PLC

The **EUROPEAN PATENT OFFICE**
in **MUNICH** is looking for a
SENIOR BOOK-KEEPER (Ref. EXT/256)
and
ACCOUNTING ASSISTANTS (Ref. EXT/258)

The **Senior Book-Keeper** (Grade B5) is responsible for all accounting operations in one or several areas, such as purchase and sales ledgers, treasury accounts, tasks related to striking balances, management accounts, control of salaries etc. Is in charge of a group of assistant book-keepers. Candidates must have a completed secondary education (at least 2 A-levels), hold a professional book-keeping qualification and have at least 20 years relevant experience.

The **Accounting Assistant** (Grade B2) prepares payments received via banks, deposit accounts, cheques etc. for recording on computer, reconciles accounts, prepares bank payment instructions, etc. Candidates must have a secondary education (at least 5 O-levels), be trained in book-keeping and have at least 2 years' relevant experience.

Knowledge of at least two of the official languages (German, English and French) is required.

As in other international organisations these posts carry an **attractive salary free of national income tax. A European School** provides free education for the children of EPO staff.

The closing date for applications is 10.3.1989. Official application forms may be obtained from the Personnel Department, European Patent Office, Erhardstrasse 27, D-8000 Munich 2. (Tel: (89) 23994316

Financial Controller

Basingstoke, Hants

Aged 25-30 **c£27,500 package plus car and benefits**

An acquisition and a change in corporate status resulting in greatly increased autonomy have created a very exciting opportunity for a young, ambitious accountant.

The company, the UK subsidiary of a prestigious US multinational, manufactures and distributes a range of health care products, principally for the hospital sector in the UK and Europe. Turnover is now £20 million.

Reporting to the Financial Director and assisted by a subordinate team, the successful candidate will play the key role in managing the accounting function. An important objective is to improve the speed, accuracy and relevance of the management information vital for the control and direction of the company.

Candidates must be qualified and 2 years experience in industry is highly desirable. Essential personal qualities include proven leadership skills, a high intellect which can identify and address priorities and the potential for significant career advancement.

Generous benefits include relocation expenses if required.

Interested applicants should send a detailed CV or request an application form on 01-439 1113 quoting reference No. 7049/FT.

Wickland Westcott & Partners
LONDON · WILMSLOW · PARIS · BRUSSELS
Search and Selection; Management Development
21 Cork Street, London W1X 1HB. Telephone: 01-439 1113.

هكذا من الأصل

كفاءات الادارة

Divisional Financial Director

Yorkshire — to £40,000+ Car+Benefits

Our client is a £300 million division of an Internationally renowned UK based PLC engaged in the design and manufacture of engineering and electrical components. Substantial recent growth has been achieved through investment programmes in existing operations and a series of strategic acquisitions.

Reporting to the Divisional Chief Executive, you will be fully responsible for the finance function of this multi-site division. Key areas of involvement will include strategic business planning and the leadership of acquisition projects both Internationally and within the UK.

Candidates will be Qualified Accountants who can demonstrate a strong track record of achievement within a major manufacturing environment. A strong personality and well developed communication skills complemented by a high level of technical competence are prerequisites of this appointment. Experience of the acquisition and integration of International subsidiaries would be an advantage.

A comprehensive benefits package including a profit related bonus scheme and full relocation facilities is available. Interested applicants should write to Stephen J. Broadhurst or *James J. Russell at Michael Page Finance,* Leigh House, 28-32 St. Paul's Street, Leeds LS1 2PX. Tel: (0532) 450212.

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

Turn Accountancy into Consultancy and Technology into Management

Financial Management Systems — to £35,000 + Car

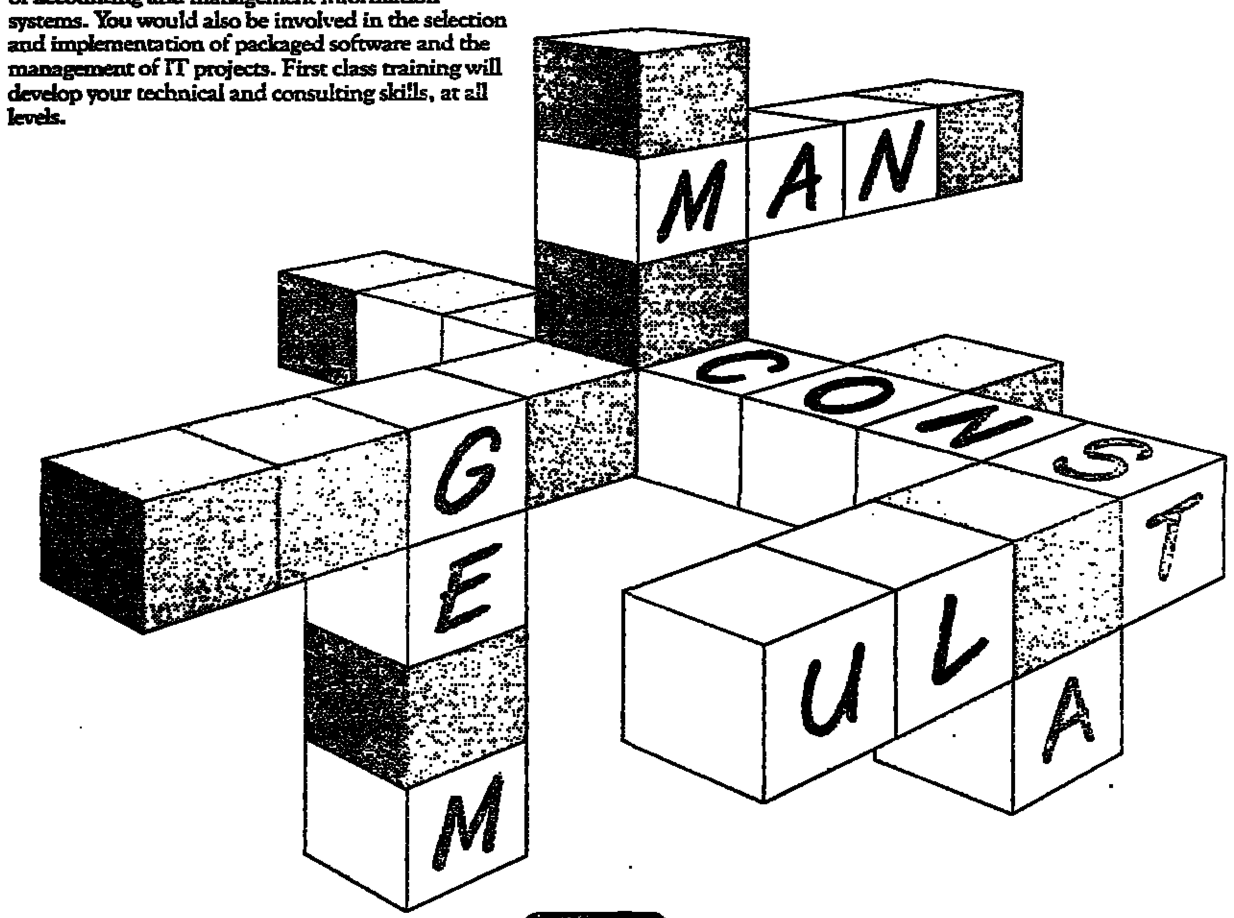
State-of-the-art information management is key to competitive advantage and future success. Latest technology helps management to make the right decisions by providing the right information. Today's accountants play a major role in bringing together sophisticated technology and financial information.

One of Europe's top management consultancies is looking to recruit several qualified accountants with 2-10 years' experience in accounting and systems related work.

Working in multi-disciplinary teams across the whole spectrum of industrial, commercial and public sectors, your responsibilities would extend from the definition of information needs to the design and implementation of accounting and management information systems. You would also be involved in the selection and implementation of packaged software and the management of IT projects. First class training will develop your technical and consulting skills, at all levels.

You are likely to have had some exposure to packaged software, and have contributed to the financial management of a large organisation. In addition, you will need maturity and confidence to deal with highest-level management.

If you're looking to broaden your career in a creative environment and can demonstrate your ability to meet this challenge, please telephone Liz Salter on 01-831 2000 or write to her enclosing a full curriculum vitae, quoting ref: F110, at Consultancy Division, Michael Page Finance, 39-41 Parker Street, London WC2B 5LH.



Michael Page Finance
International Recruitment Consultants

FINANCIAL CONTROLLER

Property Development

c£50,000 + substantial benefits

Established to carry out a major property development in the South East, our client is backed by a group of highly regarded and well established companies. The multi-million pound project is now at an exacting and exciting stage, necessitating the strengthening of the company's management team.

The Financial Controller will report directly to the Chief Executive. London based, responsibilities will be wide ranging – from creation of systems and preparation and presentation of information to participation in negotiations for major financings. It is essential that the successful applicant be capable of growing with the company, which will initiate other developments and which is expected to become a significant public property group.

The remuneration package will take account of the seniority of the role and will provide the opportunity of equity participation in the future.

Aged 28-35, applicants should be qualified accountants of high ability. Experience gained in property or construction would clearly be advantageous as would be 'City' exposure. Excellent communication and technical skills are essential.

Please write, enclosing a career/salary history and daytime telephone number, to David Hogg FCA quoting reference H/776/LF.

LLOYD MANAGEMENT

LLOYD MANAGEMENT Selection Consultants 125 High Holborn London WC1V 6QA 01-405 3499

Director

Finance and Administration

North West Region — £35K + incentive scheme + car

Whitbread Trading lies at the heart of one of Britain's most successful brewing groups, playing a large part in its success. The division provides a wide range of services, including sales for both the tenanted and free trade and the distribution of wines, beers and spirits to outlets nationwide, together with all related commercial, financial and administrative functions.

The North West region is currently seeking to fill the post of Director of Finance and Administration based on the outskirts of Manchester. Reporting to the Regional Managing Director this senior position carries responsibility for providing strong financial support to the region, giving advice, monitoring performance and supplying accurate management information where needed. It also involves ensuring that systems and procedures are adequate for a comprehensive administration for all sites and services within the region.

You will ideally be a qualified accountant, with several years' experience as a finance or administration manager. Good supervisory and interpersonal skills are essential and a sound knowledge of commercial and legal affairs will be required.

Whitbread offer excellent salary and benefits packages, including a company car and, where applicable, relocation assistance.

If you are interested in joining a progressive and dynamic organisation, contact A C Reeve, Services Manager, Human Resources, Whitbread Trading, Whitbread House, Park Street West, Luton LU1 3BG.

EST? 1742

WHITBREAD

UGC
UNIPART GROUP OF COMPANIES

you make the difference

UNIPART

OPERATIONAL AUDIT MANAGER

Oxford — £24-27K + bonus + car

Since privatisation through a management buy-out in early 1987, Unipart has consistently outperformed expectations. Unipart is one of the most successful wholesalers, retailers and manufacturers of automotive and industrial components and accessories. In its first year as a private sector company, group turnover was around £430m, and profits were up year on year by 40%.

Management Audit plays a vital role in this complex and cost conscious environment, and this post will impact upon every aspect of the Group's operations. Reporting to the Group Controller, Management Audit, the incumbent will be responsibie for the planning and execution of individual audits, staff supervision, systems appraisal and the management of a wide variety of ad-hoc assignments.

Unipart regard the function of Management Audit as a **stepping-stone to career advancement within the Group, and promotion from within the department into line management will be positively encouraged.** It will be **expected that the right calibre candidate** will achieve **these goals within eighteen months.**

The successful applicant will be a qualified accountant, from within Industry or the Profession, aged up to early 30s, whose CV reflects impressive progression and who seeks *an organisation where ability is recognised* and rapidly rewarded. As the role entails constant liaison with senior and executive management, strength of personality and acute commercial awareness are absolute prerequisites.

Where appropriate, full relocation will be included in addition to the attractive salary package.

Please apply in writing to **Mike Masterson** at

H·M·A
RECRUITMENT

Chancery House, 53/64 Chancery Lane, London WC2A 1QS. Telephone: 01-242 1822 (24 Hrs). Fax: 01-831 6425.

FINANCIAL CONTROLLER

North-west of London
c. £28,000 + car

ONE OF EUROPE'S largest paper manufacturers, headquartered in Spain, is undertaking an aggressive internationalisation plan to prepare the group for an open European market in 1992. As such, a UK sales and distribution subsidiary has been established, requiring a strong, commercially-minded Financial Controller.

Reporting to the UK Managing Director, the Financial Controller will make a major contribution to the commercial strategy of the company, ensuring long-term development plans are successfully achieved.

You will have overall control of all financial, tax and treasury matters, requiring the establishment of computerised systems, accounting policies and procedures; preparation of business plans, budgets and forecasts.

In addition, the appointee will have significant involvement in co-ordinating and controlling business activities to achieve the desired profitability and growth, and will liaise with senior management in Spain on a regular basis, necessitating occasional overseas travel.

The position will appeal to qualified accountants, aged 28-35, with the desire and ability to achieve results in a professional, fast-moving environment.

Candidates should have an outgoing personality, and be persuasive, self-confident and highly energetic. The ability to speak Spanish or another European language is highly desirable.

Please send full cv, indicating current salary, to Fiona McMillan, Ref: 3026/FM/FT, PA Consulting Group, Hyde Park House, 60a Knightsbridge, London SW1X 7LE.

PA Consulting Group
HUMAN RESOURCES
Creating Business Advantage

Head of Finance and Administration

Cardiff — up to £23,000

Royal Mail Letters is looking to appoint a qualified accountant to take charge of the existing finance function at the Western Building and Estates Centre, Cardiff.

You will need to be able to integrate closely with the Management Board yet provide an objective assessment of performance of each of the operating functions. You must also have the ability to manage and motivate the supervisory and clerical staff in the Finance Section.

A significant element of the job is concerned with Management Accounting and you will co-ordinate and critically review £ multi-million expenditure budgets, undertake subsequent performance monitoring and take a leading part in forecasting full-year spend levels. Responsibilities also include developing and applying control and monitoring systems for the capital and maintenance building projects undertaken by the Centre, arranging payment of building contract invoices, financial accounting and development of local micro-computer systems and the maintenance of control in a fast changing environment.

The job is also responsible for controlling local administrative and common service support functions within the centre.

You should be a qualified accountant with at least three years post qualification experience and a proven track record of working effectively with senior management in other disciplines.

A competitive salary in the region of £23,000 is offered, depending on qualifications and experience, together with a pension scheme and five weeks holiday. Relocation assistance is available where appropriate.

Please write with full CV to Mrs J Poore, PIR(L)1, Room 282a, Post Office Headquarters, 33 Grosvenor Place, London SW1X 1PX. Closing date for applications is 23 February 1989.

The Post Office is an equal opportunities employer.

Royal Mail

CORPORATION TAXATION ACCOUNTANT

Central London — **to £27,000**

The expansion of our small, specialist corporate taxation team, based in Holborn, creates this first-class opportunity for a qualified accountant to play a key role in the varied activities of the department.

With around three years' relevant experience, gained in a professional practice or commercial organisation, you should possess a detailed knowledge of corporation tax, capital allowances, capital gains and roll-over provisions. First-hand experience of dealing with the Inland Revenue and internal accounting staff will be essential, while exposure to exploration and production accounting procedures would be advantageous.

You must be able to work effectively, both as a team member and independently, and accept responsibility for investigative work and preparation of project reports.

Salary, in a range £22,000-£27,000, is complemented by large-company benefits including five weeks' holiday, pension, profit sharing and sharesave schemes, and generous relocation assistance.

Please write with full cv, quoting reference FIN/12673/018/FT, to Heather Rodgers, Recruitment Administration, British Gas plc, 59 Bryanston Street, London W1A 2AZ. Closing date for receipt of applications 20 February 1989.

An equal opportunity employer

British Gas

An exceptional opportunity for an outstanding accountant . . .

Group Control

c£45,000 + car + significant bonus

Pearson plc is the UK quoted holding company of a worldwide group whose principal business sectors are information and entertainment, investment banking, oil services and fine china. The group has an impressive profit record and is committed to continued growth.

Working as a senior member of the London based headquarters executive, the accountant will review and analyse the performance of the group and its subsidiaries. With key responsibilities for financial reporting and control he or she will participate in investment appraisal and acquisition studies. The position arises through expansion and the new accountant will be expected to develop close relationships with the operating companies and make a considerable contribution to the definition and achievement of the group's business strategy.

Applicants, ideally in their 30s, must be graduate accountants of considerable ability. Experience gained in an international group would be advantageous.

Please write, quoting reference H/777/TF and enclosing a career/salary history and daytime telephone number, to our selection consultant:

David Hogg FCA
Lloyd Management
125 High Holborn
London WC1V 6QA

·PEARSON·

As a first step, this could take you a long way...

The Distribution and Service Division of Dixons comprises four main parts.

First is Mastercare which provides a servicing and repair facility for all products, including customers of Dixons and Currys.

Next is Distribution with 3 main warehouses, 20 local distribution centres, 1,000 staff and sub contracted transport service, plus Group Freight Services, our shipping agent.

Third is Satcare our operation which installs satellite dishes, and finally P/C service which maintains and supports a range of personal computers.

Together they form a large and complex Division which demands highly efficient auditing control.

As a new or recently qualified Accountant this could be your first move into industry. You will be developing and refining effective systems and controls, as well as carrying out detailed internal audits for the Division.

Working closely with the senior Management team and being supported by 3 Service Auditors and 5 Stock Administrators, this position offers outstanding scope, responsibility and challenge for the right person.

Based at our offices in Hemel Hempstead and reporting directly to the Financial Director, you'll have every opportunity to apply and extend your knowledge and experience in an environment which is both professional and ripe for innovative development.

A salary of up to £24,000 is negotiable and a company car will be provided together with a full range of benefits which will include relocation assistance if required.

You will also have excellent career development prospects within this rapidly expanding Division and elsewhere in the Group.

Take the next step, write enclosing a full CV to John Francis, Dixons Distribution and Service Division, Maylands Court, Maylands Avenue, Hemel Hempstead, Herts HP2 7DE. Telephone: (0442) 232000.

Dixons Distribution and Service Division

MOTOROLA LTD.

Accounting for excellence

Financial Accounting Manager

Hitchin, Herts — **£Excellent + 2.0 litre car**

Excellence of product, of manufacturing facilities, of quality standards – these are the hallmarks of Motorola, world leader in the cellular communications field.

With a turnover in excess of £100 million, having attained substantial growth within the last 2 years', Motorola are seeking a talented accountant for the key position of Financial Accounting Manager based at their state-of-the-art, purpose built manufacturing site in Hertfordshire.

This is a broad and varied role with responsibility for a small, highly motivated team. Chief duties will include:

- preparation of management/financial information to strict deadlines.
- cash and treasury management.
- development of advanced computer systems.

In a rapidly expanding business, the requirement is for an individual who will not only make an immediate contribution, but who will also grow quickly within the finance function. Aged 25-30 you will be a graduate calibre, qualified accountant, with sound systems experience and capable of meeting the demands of a fast moving and complex, high volume manufacturing business.

An attractive remuneration package includes a 2 litre car, bonus, pension scheme, private health care and an outstanding relocation package. For accountants of ambition, career progression is, of course par excellence.

Interested applicants should write enclosing a CV to Simon Lieberman, at Michael Page Finance, Centurion House, 136-142 London Road, St Albans, Herts AL1 1SA or telephone (0727) 65813.

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

FINANCIAL ANALYSTS

£20-24,000 with fully expensed Company Car plus benefits
Location: West London

Due to a recent round of internal promotions, Express Foods Group (International), part of Grand Metropolitan plc is looking for a limited number of top quality young accountants. We are seeking people with a range of experience who can make a contribution to the profitable development of the business. This could be either within our Performance Assurance Department, or within Financial Analysis & Planning.

A leading name in the Food Industry, the Company has a turnover in excess of £1 billion, marketing a wide range of fmcg and commodity products.

As an important member of the Management Team, you could be involved in the following areas:–

- product/site/Company performance analysis
- construction and evaluation of business proposals for new products, asset renewal and capacity expansion
- review of system effectiveness
- the budgeting and planning process

If you are a qualified accountant with a strong commercial awareness, and feel you can help us to set new standards and add value to this challenging environment then contact Jill Pennington on 01-845 2345 ext. 3625 or send your cv, indicating your areas of interest to:–
Ms Jill Pennington, Personnel & Training Officer, Corporate Staffs Personnel, Express Foods Group, Block F, 430 Victoria Road, South Ruislip, Middlesex HA4 0HF.

EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED

In accordance with Express Foods Group (International) Equal Opportunities Policy, applications are welcomed from all persons regardless of sex, race or marital status.

CHIEF ACCOUNTANT EUROPE

West End

£26,000 + Benefits

Our client is the European subsidiary of a U.S. multinational. Its European operation is located in the United Kingdom, Belgium, Holland and West Germany and is primarily concerned with the marketing, sales and manufacture of precision engineering products.

The position carries responsibility for the preparation of financial and management accounts both for U.S. reporting and Belgian statutory accounts purposes. The role also encompasses multi-currency accounting, systems implementation and staff development.

Because of the international nature of the vacancy, applicants should be good French speakers and computer literate. Aged 35-45, experience in a large multinational would be advantageous.

For further information please call ***John Brain*** *or* ***Wendy Isern*** *on* ***01-629 4463*** *(daytime)* ***01-878 3634*** *(evenings/weekends) or write to them at the address below quoting Ref: JB 140.*

HARRISON WILLIS
FINANCIAL RECRUITMENT CONSULTANTS
Cardinal House, 39-40 Albemarle St., London WIX 3FD. Tel: 01-629 4463.

FINANCE MANAGER

Central London
c. £35,000 + car + bonus + share options

The director of the Financial Planning & Analysis Group of this international consultancy organisation, wishes to strengthen his team by recruiting a commercially-minded Finance Manager.

The Finance Manager will play an important role in shaping the business strategy of a major division which provides specialist consultancy and implementation services in information technology.

In line with flotation plans, further growth and diversification is anticipated which will result in the division doubling in size and turnover in the next two years. The Finance Manager will work closely with the Divisional Chief Executive and advise him in all commercial aspects of the business, including acquisition appraisal. Experience in the IT industry would, therefore, be advantageous.

You will provide the Board with effective financial and management information and assist in the formulation of business plans. You will need to understand quickly the factors driving the business and to provide clear recommendations for management action to achieve the growth and profit targets of the division.

If you are a qualified Accountant and/or an MBA, aged 29-35, and have the ability and experience to achieve results in a fast-moving environment, then please send cv, indicating current salary, to Fiona McMillan, Ref: 2746/FM/FT, PA Consulting Group, Hyde Park House, 60a Knightsbridge, London SW1X 7LE.

PA Consulting Group
HUMAN RESOURCES
Creating Business Advantage

FINANCIAL PLANNING MANAGER

NORTH WEST — **To £25,000 + Car + Relocation**

Our client, part of a U.S. multi-billion high technology group, is the world's leading manufacturer of newspaper production systems, exporting to over 100 countries throughout the world. Major investment in new product development has produced rapid growth and a turnover of £85m is projected for 1989.

They now seek to recruit a Financial Planning Manager, who, reporting to the Financial Director and supervising a team of analysts, will assume full responsibility for providing financial management information to the Board and Group H.Q. in Chicago. This is a key commercial role which will involve the production of annual and quarterly rolling forecasts, planning, performance analysis, project reporting and close liaison with non-accounting senior line management.

Candidates, aged 28-42, should be qualified Accountants with a large company background in manufacturing or engineering. Excellent communicative and technical skills combined with strength of personality, drive and commercial acumen are essential to the role. Prospects and rewards are excellent within both the division and the group.

Interested candidates should contact **Alison Hill** on **061-236 1212** or send a C.V. to

STARK BROOKS ASSOCIATES LTD
Accountancy Recruitment Consultants
SUITE 477/479 ST. JAMES'S BUILDINGS,
OXFORD STREET MANCHESTER M1 6FQ
TEL: 061-228 1212/061-228 0183

TUDOR plc
FINANCIAL CONTROLLER

Stourbridge, W. Mids. c. £25,000+Car+Non-Contrib Pension+Profit Share

Our Client is a highly respected, successful and expanding Group whose principal activities comprise the distribution of wall and floor tiles and the manufacture and sale of crystal glassware.

This is a real opportunity for an experienced, competent Financial Controller to contribute to the businesses' continued achievement. Responsibilities will include preparation of five-year business plans and their annual update, the production of timely financial reports, monitoring the financial performance of the Group companies and providing valuable assistance on various ad-hoc assignments. Reporting to the Managing Director, you will take a key role in the further development of the Group.

The successful candidate will be a Chartered Accountant with strong commercial experience and polished communication skills. An ambitious personality is essential as the Group offers excellent career development opportunities leading to a board position for the right applicant.

A first rate salary and benefits package will be offered, including profit sharing and non-contributory pension.

Please apply in writing with full career and salary history details, quoting reference B/178/89 to Louisa Chapman.

KPMG Peat Marwick McLintock

Executive Selection
Peat House, 45 Church Street, Birmingham B3 2DL.

Systems Requirements Manager

CITY c.£40,000 + BANKING BENEFITS

For the Banking Division of a British merchant bank with total assets exceeding £6.5 billion. This core division has a diverse range of businesses in the UK and overseas, and contains almost half the staff of the Bank. It is now reviewing its needs for management and financial information, and is seeking a systems-oriented finance professional to co-ordinate this key activity and the resulting systems development.

Reporting to a Senior Director of the Banking Division, you will work closely with him and other senior members of the Division to determine its information strategy, assess what current systems provide and specify the requirements for further developments. You will agree the users' priorities for work to be done, develop business cases and in liaison with the Bank's Systems Group, co-ordinate the timely delivery of the various projects agreed. An early priority will be to prepare the definition of user requirements for a major new system to be developed this year.

Aged around 35, and preferably a qualified accountant, you will have experience of defining requirements of major IT systems and be familiar with systems development methodologies. You will have a background in financial services, preferably banking. Consulting experience would be an advantage. Further career prospects are excellent in this meritocratic environment.

Résumés please, including a day time telephone number to Robin Alcock, quoting Ref: RA511, Coopers & Lybrand Executive Resourcing Limited, Shelley House, 3 Noble Street, London EC2V 7DQ.

Executive Resourcing Coopers & Lybrand

Finance Manager

AUTOMOTIVE COMPONENT GROUP

WEST MIDLANDS, £25-£30,000 + BENEFITS + CAR

This is the number one financial position in a UK subsidiary of a major Automotive Component manufacturer. They are clear market leaders in their sector with a turnover of £58 million.

The business is showing increased output and profitability and a major reinvestment programme is underway. It is therefore an exciting and opportune time to join this successful business.

You will work directly for the UK Managing Director and have a functional reporting line to a Divisional Financial Controller in Italy. Your UK Finance Department comprises of 30 people. This is a managerial rather than technical financial position where the emphasis will be to continue the enhancement of what are already highly efficient systems. Coupled with this will be the development of better shop floor reporting and product costing.

You will be a qualified accountant, probably in your early 30's. You should have already managed a sizeable accounting function in a significant manufacturing business and experience of working for a multinational will be advantageous. You should have some fluency in a second European language, preferably Italian.

The benefits will include a company car plus discounted car purchase facilities and relocation assistance. Please write with a full career résumé, including a daytime telephone number and salary indication, to John Elliott, Coopers & Lybrand Executive Resourcing Limited, 43 Temple Row, Birmingham B2 5JT, quoting reference JE160.

Executive Resourcing Coopers & Lybrand

GRADUATES

CHARTERED ARTICLES (ACA/ATII STUDY PACKAGES) £9-11,000 + overtime

"Top-8" to small/medium practices
10 - 15 "UCCA" points essential
1/2.1/2.2 Degree result expected or 1988
Graduates with work experience.

MERIDIAN REC. CONS.
01-255-155
25 MUSEUM ST., WC1A 1JT.

Financial Accountant

...Investment as your future

c£23,500 London SW1

CIN Management Limited is one of the largest institutional investors in the country and is responsible for managing the assets of the British Coal Pension Schemes. As a result of an internal reorganisation, we now have a vacancy for a Financial Accountant to work with the Head of the Company's Central Finance Division in providing management of the Company's own accounts and the Pension Schemes' accounts.

As a qualified Accountant, probably aged between 25 and 35, you will require a wide knowledge of accounting procedures to enable you to supervise and control the Company accounting records, prepare budgets, statutory and management accounts. As you will co-ordinate the development and implementation of a computerised accounting system you should be familiar with computer accounting techniques and systems.

Ideally, you will have previous pension fund accounting experience as you will be involved in reviewing the accounting procedures and controls within the investment Divisions of the Company and act as VAT Officer to the Schemes.

Attractive terms and conditions of employment include a negotiable salary, depending upon age and experience, plus generous holiday entitlement and first-class career prospects.

Please write enclosing full career and personal details, stating current salary, to:

Janice Bullen
Staff and Administration Division
CIN Management Limited
PO Box 10
London SW1X 7AD

NO AGENCIES

CORPORATE ACCOUNTANT

DYNAMIC INTERNATIONAL GROUP BASED IN BERKSHIRE

Age: 25/30 £30-35k + executive car + benefits

Our client is a major international food service and distribution Group operating in the UK, Continental Europe and North America. Its turnover has grown rapidly to an annualised figure of almost £1bn, which has been achieved both by organic growth and the strategic acquisition of a number of businesses. As a result of this, the Company now needs to make a key appointment to its finance team.

The growing size and complexity of this Group will generate constant challenges on the technical front. You will report on the Group's financial and management accounting information, ensuring Group policies are adhered to and commercial objectives are achieved. Responsible for the consolidation of divisional results, you will be making an important contribution to the interim and year-end reporting processes. To add to this, you will also devote much of your time to streamlining systems through further computerisation.

To succeed within this compact team, you will be a graduate Chartered Accountant, either still in the profession or with large company experience. You should have excellent technical and communication skills, the ability to react quickly in a fast-changing environment and an appetite for hard work. The future will present outstanding opportunities for promotion.

Relocation expenses will be paid.

Please contact Jolie Meakin or Lawrence Barnett at our Manchester office quoting reference B201.

ASB RECRUITMENT LTD

Amethyst House, Spring Gardens
Manchester M2 1EA Tel: 061-834 0618
Fax: 061-832 9123
Also at Liverpool and Leeds

A Division of ASB Barnett Kinnings Plc

DIRECTOR OF FINANCE

UEA NORWICH

The University invites applications for the post of Director of Finance, to replace Mr R.A. Newstead who retires in summer 1989.

The Director of Finance is responsible for the financial management of the University, including financial planning, budgets, forecasts and financial systems and controls. The University's Annual income is around £30m, from a wide variety of sources.

We are seeking to appoint a qualified accountant with substantial experience at a senior level in financial management, not necessarily in education, who will be able to respond to the challenge of the rapidly changing financial environment of universities.

UEA is currently celebrating the 25th anniversary of its foundation in 1963. It is located in the attractive City of Norwich, within one of the fastest growing regions in the country.

The salary will be by negotiation, but is likely to be less than £30,000 per annum.

Applications (five copies), giving full particulars of age, qualifications and experience, together with the names and addresses of three persons to whom reference may be made, should be lodged with the Registrar and Secretary, University of East Anglia, Norwich, NR4 7TJ, (tel. 0603 592208) from whom further particulars may be obtained, not later than 28 February 1989.

The University is an equal opportunities employer.

Financial Director Designate

London/Essex Borders £28,000 + Car + Benefits

Our client is a fast developing company run by two ambitious entrepreneurs. Over the last 15 years they have created a unique market niche for themselves and are busy exploiting it and expanding into complimentary areas.

As part of their commitment to future growth they now seek to appoint a key individual who will take full control of the companys financial and administrative affairs. Working closely with the board you will have a significant role to play in the general management of the business.

Key duties will include the management of the finance department, the provision of informed financial advice to the board, the implementation and monitoring of costing controls and ad hoc projects.

Ideally you will be in your 30's, have gained several years experience in commerce preferably within the automotive or allied industries. You will be a qualified accountant with strong management skills and a good communicator.

To apply in the strictest confidence, please telephone or write to Robin Rowe quoting reference RR012 to 160 New Bond Street, London W1Y 0HR. Telephone 01-499 7761.

Hacker Young
MANAGEMENT CONSULTANTS
EXECUTIVE SELECTION
A MEMBER OF THE OLR GROUP

OLR Search & Selection

GROUP FINANCIAL CONTROLLER

Berkshire Up to £25,000 plus car

The JPI Group is a successful, financially mature Group of 7 companies active in the leisure marketplace with both publishing and property interests.

Due to rapid growth, a vacancy has arisen for the position of Financial Controller. This represents an opportunity to join a young and energetic management team and assist in the further development of exciting leisure concepts.

Reporting to the Financial Director, the successful candidate will be a qualified accountant with some post qualification experience (preferably in a similar environment), and probably under the age of 35. He or she will need to demonstrate commitment, good technical skills and the ability to manage a team.

Candidates should apply in writing, enclosing a full curriculum vitae, to Huw Watson, the Financial Director, at the following address:

JPI Group, Plantagenet House,
Kingsclere Park, Kingsclere,
NEWBURY, Berkshire RG15 8SW

JPI

CORPORATE ACCOUNTANT

Surrey c.£30,000 + Car

This is a significant appointment to provide a corporate accounting and budgetary function at the HQ of a major international service industry plc.

It calls for a qualified accountant with experience of consolidations in a large international group using computerised techniques and with a sound knowledge of current technical developments and standards relating to group accounting, both in the U.K. and overseas. Experience of budgeting and preparing financial forecasts would be an advantage.

The ability to forward plan, prepare and meet strict deadlines is important as is the personality to gain the co-operation of financial executives at all levels in a variety of companies and locations.

Conditions of employment are excellent and the post offers career development possibilities. This could appeal either to a younger accountant seeking modern financial accounting experience as part of a planned development within the group, or the more mature but realistically ambitious individual wishing to specialise and gain advancement in this discipline.

Please reply in confidence to:
Executive Recruitment Consultant,
Contract 2000,
Sutton Park House,
15 Carshalton Road,
Sutton, Surrey SM1 4LE
- quoting Ref: OH/8.

CONTRACT 2000 STAFF SPECIALIST

BANK ACCOUNTING MANAGER
AGE 25 - 30

A major international bank, headquarterd in the City is seeking an Accounting Manager, reporting to the Financial Director. Applicants should ideally have 3 - 5 years accounting experience, preferably with a major center bank, dealing with all aspects of treasury, loan, trade finance, F.X., capital market instruments, and retail operations. Knowledge of regulatory reporting, taxation, and computer based multi-currency accounting systems is essential.

Preference will be given to candidates with CA/CPA, but equivalent experience is acceptable.

Salary and benefits are competitive and will be based on experience and qualifications.

Please reply, enclosing Curriculum Vitate to:

Box A1140, Financial Times,
10 Cannon Street, London EC4P 4BY

FINANCIAL CONTROLLER

c.£29,000 + Car S. London

Operating in a fast moving service industry, this substantial but highly autonomous US subsidiary has an excellent record of growth and development. A Number Two Finance is required for the UK Head Office.

Reporting to the F.D. and controlling 10 staff, the role has three key elements: financial planning (monthly and annual), treasury (liaison with banks and finance houses) and taxation (compliance and minimisation of liabilities). A commercial outlook is essential: input into pricing decisions and ensuring competitive bids are obtained from suppliers is also envisaged.

The position deputises for the F.D.: the incumbent must have the potential to succeed him.

Candidates will be young Chartered Accountants, (25-32), with initiative and ambition – technically strong, yet business orientated.

Please apply to Greg Ripley at Robert Half, Freepost, Walter House, Bedford Street, 418 The Strand, London WC2R 0BR. Telephone: 01-836 3545, evenings 01-485 1356. Alternatively fax your details on 01-836 4942.

Financial Recruitment Specialists
London · Birmingham · Windsor · Manchester

ROBERT HALF LONDON

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday February 9 1989

INSIDE

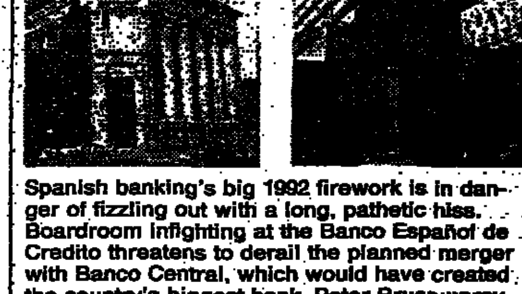
Another twist in the Plessey tale

The suggestion that Plessey, the UK electronics group, might demerge to escape the hostile attentions of GEC of the UK and Siemens of West Germany is as yet just a contingency plan. But if it reaches the front burner, it would be as audacious as any of the bewildering manoeuvres which have characterised this bid battle so far. Page 28

Heard it on the HK grapevine

"The Bond Corporation has come to Hong Kong and intends to stay. We are here for the *long haul.*" *A defiant statement from the* managing director of Bond Corporation International amid rumours that Alan Bond, the controversial Australian entrepreneur, (left) will pull out of the colony following almost certain defeat on his bid for 33.8 per cent of BCI, subsidiary of Bond Corporation of Australia. Page 23

Spanish banking firework — rocket or damp squid?



Spanish banking's big 1992 firework is in danger of fizzling out with a long, pathetic hiss. Boardroom infighting at the Banco Español de Credito threatens to derail the planned merger with Banco Central, which would have created the country's biggest bank. Peter Bruce unravels a saga of corporate and personal differences. Page 24

Japan shoots down an old image

M&A, the common abbreviation for mergers and acquisitions, once carried a more sinister meaning for Japanese businessmen — Murders and Assassinations. But things have changed, said Kazuo Chiba, Japan's ambassador to the UK, at the FT conference on European Mergers. *Not all voices at the conference* were in agreement on the benefits of international mergers, however. Page 29

Shine goes off gold loans

The increasing popularity of gold loans — under which mining companies are lent gold to be repaid, with interest, out of future production — has been causing grave misgivings in the banking world. Now one such loan has gone sour on Lloyds Bank, bringing the whole issue into sharper focus. Page 32

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)				Geophysique	620	+	32
Rises				Metaleurop	155.5	+	7.3
D'sche Babcock	183	+	9	**Falls**			
Veba	290	+	7.3	Labinal	1020	-	52
Bayer Vereins	392	+	8	Radiotech	695	-	35
Siemens	545.5	+	8	Raffinage	103.5	-	5.1
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Consolid Eng	57⅞	+	2⅞	Taisei	1950	+	300
Dayton Hudson	48⅞	+	1⅞	Nippon S'steel	1170	+	120
National Pizza	16⅞	+	1⅞	Nichirei	2030	+	200
S. New Eng Tel	66⅞	+	1⅞	**Falls**			
Falls				Toyo Tekkeni	1160	-	90
Dexter	43½	-	¾	Matsui Const	1450	-	110
PARIS (FFr)				Toshiba Ind	2210	-	160
Rises							
Pechiney	1278	+	69				

New York prices at 12.30.

LONDON (Pence)				Refuge	405	+	78
Rises				Rosehaugh	567	+	25
Amstrad	174	+	9	Sun Life	1023	+	30
Beechams	595½	+	13½	TT Group	242	+	22
Bodycote	198	+	13	UIS	455	+	13
Brent Walker	322	+	17	VG Instruments	287	+	30
Glaxo	1297	+	18	**Falls**			
Greycoat	478	+	15	Frost Leisure	184	-	12
Harrisons Cros	734	+	30	Fitch Lovell	287	-	7
ICI	1227	+	26	Maybow	82	-	6
Inchcape	251	+	12	Monotype	345	-	6
Ladbroke	530	+	16	Scottish & New	422	-	7
Lloyd Group	232	+	15				
P & O Defd	662	+	14				
Personal Comps	222	+	62				

Hanson sells meats unit to Sara Lee for $140m

By Nikki Tait in London

HANSON, the UK-based conglomerate, yesterday continued its spate of disposals with the sale of its US subsidiary Hygrade Foods to Sara Lee Corporation.

Sara Lee, an Illinois-based group with interests ranging from bakeries and processed meats to consumer products, is paying $140m in cash and the assumption of debt.

Hygrade is the third and smallest food business to be sold by Hanson during the past 12 months.

Last March, Hanson disposed of Ross Young's, the frozen and chilled foods company which it acquired as part of Imperial Group, to United Biscuits for £335m ($579m).

Then, in July, the French BSN group bought HP Foods and Lea and Perrins from Hanson for £199m.

Hanson, however, still has the Imperial Foods business in the UK, which includes Seven Seas health products and Elizabeth Shaw confectionery.

It also owns a chain of "family-style" restaurants in the US, through The Ground Round company.

Hygrade has been part of Hanson since 1976 – one of its earliest US acquisitions.

Yesterday, Mr Martin Taylor, deputy chairman, said in London that the company was selling because it had been offered "a very good, fair price."

Hygrade, he added, had been acquired for about $30m.

In the year to end-September 1988, Hygrade had sales of $244.9m, and made a pre-tax profit of $12.2m.

This was described as a record year for the Southfield, Michigan-based business in Hanson's annual report.

The company manufactures and processes frankfurters, luncheon meats, sausage, bacon and hams, and takes in the Ball Park, Grillmaster, Hygrade's and West Virginia brand names.

It claims to be one of the two leading producers of consumer-packaged frankfurters in the US.

Sara Lee said yesterday that the acquisition fitted into its strategy of building up a brand-name packaged meat business.

Its processed meat brand names already include Kahn's, Jimmy Dean and Hillshire Farm.

In the 12 months to July 1988, sales from Sara Lee's processed meat and bakery operation amounted to about $3.4bn – about one-third of the group total.

Net book assets of the Hygrade business were put at $7.67m last year.

Hanson sells stake in T-Line, Page 28

AT&T's Italian renaissance

Alan Friedman and Roderick Oram report on the group's quest for worldwide expansion

More than 50 years after it turned its back on the world so it could dominate its home market, American Telephone and Telegraph (AT&T) is learning once again how to be a global giant.

So far it has invested five hard and humiliating years in rediscovering the world. Although it can boast the best technology in many areas of telecommunications, most of its early efforts to break into foreign markets foundered on insensitive handling of political and nationalistic feelings.

"We've taken our bumps internationally and I'm sure we've been a bit of a disappointment to some folks," said Mr Gordon Brummer, AT&T's regional vice president for international operations.

But the company has been learning. It believes it is now on the brink of success in Italy where it is about to be chosen as the foreign partner for Italtel, the state telecoms equipment company.

The choice of AT&T – against stiff competition from three other European contenders – is to be approved formally today by the executive committee of IRI, the giant state holding concern that controls the STET telecoms business of which Italtel is a part.

Once IRI has given approval, AT&T and STET will negotiate the detailed terms of the accord. On the table will be a possible equity stake the US group might take in Italtel, the kind of research the new partners will conduct and their product development budget, and how AT&T can help the Italians modify their Linea UT public switching system for the North American market and elsewhere.

In broader terms, the prospect of an alliance between AT&T and Italy's telecoms industry is of enormous significance.

For the Italians, it means that after years of delays they can finally move forward with a coordinated strategy (and the necessary injection of new technologies) to modernise the embarrassingly low-quality Italian telephone system run by the SIP utility. Also, they can help Italtel to achieve higher export sales, which currently represent less than 10 per cent of the company's L1,700bn ($1.2bn) annual turnover.

For AT&T, the prospective deal means that after a chequered history of attempts to penetrate the European telecoms market a potentially major bridgehead has been attained, complete with the possibility of billions of dollars of equipment orders that may come from Italy's L37,000bn five-year modernisation programme.

In a wider context, the choice of AT&T rather than Alcatel of France, Siemens of West Germany or Ericsson of Sweden gives credence to claims that the post-1992 unified market will not necessarily become a "Fortress Europe."

Although AT&T sees Italy as a turning point, it is trying to keep the celebrations in context. "It takes more than five years to build an international company," Mr Brummer said.

AT&T has only just begun. It hopes to generate some 20 to 25 per cent of its revenues abroad by the turn of the century, up from roughly 10 per cent of last year's total revenues of $35.2bn.

It declines to break out foreign sales by region or type but analysts calculate a much more revealing figure: the bulk of last year's foreign revenues came from long-distance services; only $300m came from equipment sales.

AT&T once dominated the world's telephone business, spawning such companies as Nippon Electric in Japan and Standard Telephone and Cable (precursor of today's STC) in the UK. But under a consent decree with US anti-trust authorities, it agreed in the 1920s to divest foreign operations so it could commandeer the US market.

Ironically it was anti-trust pressures which brought the second great remake of AT&T five years ago.

It agreed to spin off its local telephone operations into seven regional Baby Bells so it could keep its long distance networks and get into unregulated areas such as computer equipment.

Faced with growing competition at home from new long distance companies and realising that telecommunications was increasingly an international business, it knew it had to rejoin the world.

If it could not meet the international needs of its customers, it could lose their business back home, Mr Brummer said. Moreover, it could not succeed in long distance services abroad if it could not build and sell equipment.

AT&T has a lot going for it, said Mr Jack Grubman, an analyst with Paine Webber in New York. "It has the best technology, the biggest volume, state of the art manufacturing and some of the strongest finances of any company in the world."

By far the hardest task was finding ways to make the attributes pay off in some of the most politicised markets in the world. It had little to build on apart from some telephone consulting work for countries such as Saudi Arabia and Iran.

In Europe, its largest equipment manufacturing deal to date has been the 1984 joint venture with Philips in the Netherlands.

That venture, now known as Network Systems International (NSI) and 60 per cent controlled by the US group, had 1988 sales of $600m, with sizeable sales in Belgium as well as the Netherlands.

Elsewhere in Europe, AT&T's efforts have either been less successful or much more modest. At the end of 1983, the US group took a 25 per cent stake in Olivetti and agreed what was to have been a "global alliance" with the Italian company; that alliance has soured of late and is now described by both sides as a strictly commercial relationship.

While Olivetti managed to ship more than 600,000 personal computers to AT&T between 1984 and December 1988, a question mark now hovers above future sales.

In 1986, AT&T invested $220m in a microelectronics plant in Madrid and a year later formed a joint venture in Denmark in the fibre optics sector. But 1987 saw the US telecoms group stumble badly in its hapless campaign to buy France's CGCT. More prudently, AT&T decided to shun a proposed consortium bid for Britain's General Electric Company.

In its negotiations for the Italtel deal, AT&T displayed an unusual degree of diplomacy and cultural sensitivity. It opened a two-man office in Rome at the end of 1985 and recently created AT&T Italia SpA, a company that has 15 people employed in its international services business in Rome and half a dozen in its microprocessor sales office in Milan.

The AT&T task force on Italtel has been co-ordinated from New Jersey by Mr Bill Marx, executive vice-president for network systems, and aside from technical level negotiators, has also involved Mr Robert Dalziel, the Brussels-based president of AT&T Europe, and Mr Aldo Enrici, the US-trained Italian who represents the group in Rome.

Mr Enrici and his colleagues began exploring prospects for the link with STET-Italtel even before the collapse in late 1987 of a planned merger between Italtel and Fiat's Telettra subsidiary. The initial offers from AT&T and its European competitors were lodged with Italtel and STET last summer, at which point the late Marisa Bellisario, who ran Italtel until her death last August, was already in favour of the US proposal.

Italy is a country where nothing should ever be taken for granted until the lawyers have supervised the signing of contracts, but barring a last-minute surprise from IRI today, AT&T appears to be well on its way to a highly promising deal.

Mitsubishi buys UK food groups from Nestlé

By Christopher Parkes, in London

MITSUBISHI CORPORATION, the Japanese trading conglomerate, has entered the European food market with the purchase of Princes canned foods and Trex brand fats and oils from Nestlé of Switzerland. Terms were not disclosed.

The acquisition gives Mitsubishi a leading position in the UK canned fish and meats trade, and a toehold on the continent, where Princes has a small business in The Netherlands. It also marks the first significant move into the European food market by a major Japanese company.

The deal was foreshadowed by Mr Toshihiro Koizumi, general manager for marketing and co-ordination, who said in Tokyo recently that Mitsubishi was considering 100 European investment projects.

It was important for the group to move in before 1992, he said, because outsiders would face restrictions after that date.

Mitsubishi, with interests ranging from heavy machinery to the Japanese Kentucky Fried Chicken franchise, runs the Dosanko chain of noodle shops in the US and is also developing a sushi restaurant business there. Its Ryoshoku subsidiary is one of the top three food wholesalers in Japan. Food accounts for about 15 per cent of its $60bn annual turnover.

The Princes and Trex brands made £6.3m ($10.9m) profit in the UK last year on sales of about £150m, Nestlé said last night. Turnover in the Dutch subsidiary was £4m.

The business employs about 200 people in a factory in Southport, Lancashire, making fish and meat spreads and pastes. Most of the other products are packed overseas and imported for marketing under the Princes label.

Nestlé acquired the two brands early last year when it bought the Italian-based Buitoni group with the intention of developing its pasta business. The Swiss company said yesterday that it had sold the two brands because they did not fit with its strategy of concentrating on high added-value food products made in its own factories.

It attracted more than 30 bidders when it put Princes and Trex up for auction last October, and City specialists expected a price of about £50m.

Although Trex is a second-ranking brand, Princes is a leading name in canned goods, with about 25 per cent of the £230m canned fish trade and about the same proportion in canned meats.

The purchase will give Mitsubishi strong links with retailers which may be exploited in future

Olivetti bids $174m for ISC

By Alan Friedman in Milan

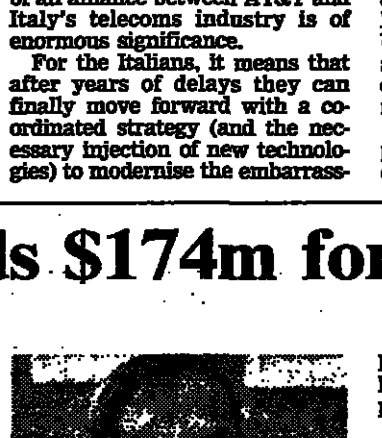
ITALY'S Olivetti group unveiled plans yesterday to strengthen its presence in the US banking branch automation business by means of the acquisition, for $174m, of ISC Systems, the second biggest company in the sector.

Mr Vittorio Cassoni, Olivetti's chief executive, said a cash merger had been agreed that will see Olivetti taking control of ISC, which is quoted on the Nasdaq over-the-counter market.

The plan, according to Mr Cassoni, is for Olivetti to merge ISC with Bunker Ramo, the Italian group's Connecticut-based subsidiary.

Bunker Ramo had 1988 sales of $68m and about 8 per cent of the market in branch automation systems, while ISC, which operates from Spokane, Washington, made a $18m pre-tax profit last year on revenues of $171m.

ISC, which claims to have 20 per cent of the US market, is second only to IBM in the branch automation equipment and services sector; IBM is believed to have about one third of the US market.



Vittorio Cassoni: plan is to merge ISC with Bunker-Ramo

By merging Bunker Ramo and ISC, Olivetti aims to leap-frog NCR and Unisys, each of which has a market share of about 10 per cent in the US.

Mr Cassoni stressed the future importance of strengthening Olivetti's position in the sector. He said that the branch automation systems business accounts for about 15 per cent of Olivetti's total group turnover, or about $1bn a year; these earnings come mainly from Europe and Japan.

The ISC deal also means that Olivetti's US revenues from the branch automation business will now total almost $250m a year, or as much as the group's North American revenues from the traditional office products sector.

The Olivetti-ISC agreement calls for the holders of ISC common stock to receive $12¼ in cash per share, or a total of $174m.

ISC's share price on the Nasdaq over-the-counter market stood at $11¼ up ⅞ last night.

UAP wins control of Allsecures

By George Graham in Paris

UNION des Assurances de Paris (UAP), the leading French state-owned insurer, is to take control of Allsecures, a subsidiary of the Toro insurance group of Italy, thus doubling its presence in the rapidly expanding Italian market.

UAP will merge Allsecures with its existing subsidiary UAP Italiana. Toro will keep 10 per cent of the combined company, and a further 25 per cent will be floated on the Milan stock exchange in the near future.

At the same time, UAP announced it will sell its 35 per cent stake in the Canadian insurer, Groupe Commerce, for approximately FFr500m ($778.5m). The amount almost exactly balances the cost of the Allsecures operation, leaving UAP with no net outlay.

Mr Jean Peyrelevade, chairman of UAP, said the group had been seeking for some time to expand its presence in Italy, but was constrained by its absence of resources. UAP, as a state-controlled company, cannot raise more equity capital through the stock market.

"The single European market will be open, certainly, but for a long time it will continue to be dominated by national habits. It seems to us very important to have a network in the principal European countries," he said.

UAP Italiana, based in Genoa, had premium income of L155bn ($113m) last year in non-life insurance, and a further L20bn of premiums from a recently-created life branch. Allsecures, with its headquarters in Rome, had L162.5bn of non-life income last year, and a life subsidiary which has barely begun operations.

The combined company will have nearly 2 per cent of the Italian market, "a base from which you can start to envisage real development, with good sales teams and a network of agents," said Mr Jacques-Henri Gougenheim, director of UAP.

Mr Peyrelevade said that Toro, controlled by the Agnelli family, had agreed to co-operate with UAP on other projects essentially in southern Europe.

He said that besides creating its own implantations in each market, UAP preferred also to form an alliance with a leading domestic insurer, as it had done in Belgium with Royale Belge and in the UK with Sun Life, in which it has taken a 19 per cent stake.

In Canada, Mr Peyrelevade said the family which owned 65 per cent of Groupe Commerce had decided to sell its stake.

Intel loses NEC 'cloning' action

By Louise Kehoe in San Francisco

INTEL, the US semiconductor manufacturer, has suffered a serious defeat following a federal judge's rejection of its charges that NEC, the Japanese electronics company, has infringed its copyright protection by marketing "clones" of Intel microprocessors.

The ruling, issued late on Tuesday, was hailed as a "major victory" by NEC, which said it would now step up its efforts to compete with Intel in the market for microprocessors, the chips that power personal computers.

Intel immediately played down the significance of the ruling, pointing out it applied to a "10-year-old product that represents less than 1 per cent of our (annual) revenues."

Its lawyers claim the ruling includes an important precedent for US microprocessor designers. The ruling that microcode is covered by copyright protection "is a broad landmark decision for the industry, and we now have a precedent that our large investments in new products . . . can be protected under the copyright law," Mr Thomas Dunlap, Intel's general counsel, said.

NEC claimed, however, that throughout the 2½-year legal battle Intel had "tried to use the litigation as a marketing tool" to dissuade potential customers from using NEC microprocessors. "The cloud has now been lifted and we intend to market our V-series (microprocessor) products like crazy," said an NEC official in the US.

While the legal dispute focused on the Intel 8086 and 8088, the first generation of microprocessors widely used in personal computers, the ruling will also affect newer chips, representing an estimated 17 per cent of Intel's 1988 revenues, NEC claims.

Microprocessors represent one of the few sectors of the semiconductor market in which US companies maintain a significant lead over Japanese competitors.

The ruling could seriously threaten that lead, according to industry analysts, and so increase trade tensions between the US and Japan.

The short-term impact of the ruling will depend largely on NEC's marketing abilities. In the long term, however, it may have serious consequences for Intel and other US chip makers which develop original microprocessor designs at huge costs.

Intel's latest 80386 microprocessor, the chip used to power many high-performance personal computers, cost $100m to develop , the company claims. Although this and interim products were not directly involved in the dispute, the judge's ruling appears to leave open the possibility of legal "clones" of all microprocessors.

In another aspect of the complex dispute, Intel was ruled to have forfeited its copyright protection by failing to ensure that all of its chips carried a copyright marking.

"We strongly disagree with the decisions on marking and infringement," Mr Dunlap said. "We are weighing the possibilities for an appeal."

Siemens and Japanese in deal with MIPS

SIEMENS of West Germany and NEC of Japan confirmed yesterday that they have signed licensing agreements with MIPS Computer, a US software and electronics group, writes Louise Kehoe.

The deals grant them the right to manufacture and market *MIPS'* Risc (reduced instruction set computer) microprocessor chips. Risc microprocessors are a new form of design yielding exceptionally fast processing speeds.

The agreements represent the latest moves in an industry wide battle to establish leadership in the next generation of microprocessors and associated chips, which represent a $6.1bn a year world market.

US, Japanese and European chip makers are placing their bets on a handful of Risc microprocessor chips, all designed by US companies. By forming international partnerships, the companies aim to establish their chosen chip design as an "industry standard" *in the 1990s.*

The agreements with NEC and Siemens are seen as a coup for MIPS. Both of its new partners are power houses in the semiconductor market: NEC is the largest chip maker in the world, while Siemens ranks as one of the largest in Europe.

MIPS is a five-year-old company with no semiconductor manufacturing facilities of its own. The company's Risc processor designs are, however, highly regarded.

Recently it scored a major success when Digital Equipment adopted the MIPS processor for a new range of computer workstations.

MIPS chips are produced by US licensees including LSI *Logic, Integrated Device* Technology and Performance Semiconductor.

Its rivals in the Risc chip market include Sun Microsystems, which has licensed its Risc processor to Fujitsu, LSI Logic , Texas Instruments and other US manufacturers, VLSI Technology , which has licenced Sanyo to make its chip , Motorola and Advanced Micro Devices.

The "alternate sourcing" strategy that MIPs and other US Risc chip designers have adopted has been common practice thoroughout the history of the US semiconductor industry.

Licensing has, however, led to serious legal problems, such *as the dispute* between Intel and NEC and more recent litigation between Motorola and Hitachi.

Some industry leaders and government officials in the US are questioning the value of licensing agreements with foreign companies. They charge that the US industry has "sold its seedcorn" to foreign chip producers, while gaining little in return.

Bathurst may face newsprint order loss

By David Owen in Toronto

CONSOLIDATED-Bathurst, the large Montreal-based forest products company, could lose part of a large contract to supply newsprint to the Toronto Star, Canada's largest circulation newspaper, when the contract comes up for renewal at the end of next year.

The 10-year contract accounts for a significant portion of Bathurst's newsprint-related revenues. The company was acquired last month by Stone Container of Chicago in a deal valued at C$2.6bn (US$2.2bn).

The possible problem arises because Bathhurst is the Star's sole newsprint supplier. This policy of single-sourcing is extremely unusual for a major newspaper nowadays.

It has consequently prompted speculation that the Star may opt this time to turn to additional suppliers for part of its 160,000-180,000 tonnes a year newsprint requirement.

"My understanding is that the Star has made a decision to diversify sources," says Mr Ross Hay-Roe, a Vancouver-based analyst.

Mr Bruce Taylor, the newspaper's director of operations, says that no decision about possible diversification had been reached. "We have been dealing with Consolidated-Bathurst for a long time".

Negotiations are, however, in progress, the newspaper confirmed. Bathurst meanwhile would not comment on the situation.

Anheuser-Busch advances for 12th successive year

By Karen Zagor in New York

ANHEUSER-BUSCH, the biggest US brewer, reports strong results for 1988, pushing the company's run of unbroken growth to 12 years.

The St Louis-based brewer lifted fourth-quarter net earnings to $125.5m or 44 cents a share, from $109.6m or 37 cents a share on revenues of $2.19bn against $2.06bn.

Net income for the year was $715.9m or $2.45 a share on revenues of $9.71bn, compared with $614.7m or $2.04 on revenues of $9.11bn for 1987. Beer sales for the year rose by 3.2 per cent to 78.5m barrels.

Earnings per share, up 20.1 per cent over 1987, benefited from the company's share repurchase programme.

Mr August Busch, chairman of the group whose Budweiser, Bud Light and Busch beers dominate the US beer industry, said that the strong performance was due to the growth of Anheuser-Busch Inc and to the higher profitability of the Campbell Taggart and Busch Entertainment subsidiaries.

Campbell Taggart is a Dallas-based bakery, and frozen and Mexican foods producer. Busch Entertainment operates Busch Gardens amusement parks in Williamsburg (Virginia), Tampa (Florida) and Philadelphia.

All main operating subsidiaries increased sales in 1988. However, some analysts warn of possibly slimmer profit margins for 1989, when the brewing giant will face higher commodities costs as a result of last summer's drought.

Capital Cities/ABC 20% up

By Anatole Kaletsky in New York

CAPITAL CITIES/ABC, the third largest US television network, reported a 20 per cent advance in net income in the fourth quarter and a 39 per cent gain for 1988 as a whole.

But ABC's revenues from both broadcasting and publishing declined in the fourth quarter, reflecting softness in the US advertising market and declines in demand from specialised publications and shopping guides.

Fourth-quarter earnings amounted to $140.2m or $7.76 a share, compared with $117.0m or $6.51 the year before. Broadcasting revenues declined by 8 per cent to $1.05bn, while publishing revenues slipped 3 per cent to $266m.

In addition to disappointing advertising demand, the latest quarter's results reflected audience losses resulting from a Writers' Guild strike, as well as from the extensive coverage of the presidential election.

For 1988 as a whole, ABC earned a record $387m or $22.31 a share, compared with $279m or or $15.48. TV revenues grew by 9 per cent to $3.75bn, while publishing revenues were up 1 per cent at $1.02bn.

Fourth-quarter surge lifts CBS year result by 84%

By Anatole Kaletsky

CBS, the second largest US television network, almost doubled its net profits in the fourth quarter, although its revenues remained flat, reflecting the softness of the US advertising market.

CBS made $40.1m or $1.56 a share from its continuing operations in the fourth quarter, compared with $22.5m or 86 cents the year before. Revenues were $772.3m, virtually unchanged from $772.9m.

In 1988 as a whole, CBS made $283.4m or $11.02 a share from continuing operations, 84 per cent up on 1987's $136m or $5.21. Revenues were up less than 1 per cent, at $2.78bn.

The company's total net profits also included several special items excluded from the income from continuing operations. In the latest quarter, a $3m profit from discontinued operations was exactly offset by a $3m loss from early debt extinguishment, making the final net $40.1m.

In the full year, there was net income of $869.6m from discontinued operations and a loss of $3m from debt extinguishment. This increased the final net profit for 1988 to $1.15bn or $44.75 a share.

● New York Times said the softening in some of markets is likely to result in lower results for the first quarter of this year, but it expected improved results for the full year.

The group reported 1988 earnings from continuing operations of $161m, before a $6.7m gain from discontinued operations, on revenues of $1.7bn. In 1987, it earned $156.3m, before a $4m gain from discontinued operations, on revenues of $1.64bn.

Cyanamid well ahead on record sales

By Our Financial Staff

AMERICAN CYANAMID, the diversified US medical products group, unveiled increased profits in the fourth quarter and full year after lifting 1988 world sales to a record $4.6bn.

The group, whose largest overseas subsidiary is in the UK, increased fourth-quarter net income to $62.8m or 71 cents a share, from $60.2m or 67 cents, on sales up to $1.1bn from $1.03bn.

Operating net income for the full year rose to $305.6m or $3.41 a share from $264m or $2.89 last time, on sales of $4.2bn. The 1987 figure excludes a gain of $11.6m from discontinued operations.

The UK operations lifted net pre-tax earnings by 15 per cent to £21m ($36.5m) last year on sales of £165.2m, compared with £154.6m.

Canadian boost for Fletcher

By Robert Gibbens

FLETCHER Challenge Canada, the big Western pulp and paper group put together by New Zealand's Fletcher Group over the past four years, posted a 29 per cent advance in profits last year to C$180.2m (US$152.5m), from C$140.2m in 1987. Sales were C$1.5bn, against C$1.4bn.

In the fourth quarter net profit was C$45.8m, up from C$40.7m, on sales of C$371m, compared with C$364m.

Bank chief turns down Krupp post

By Andrew Fisher in Frankfurt

MR Alfred Herrhausen, chairman of Deutsche Bank, has turned down the chairmanship of the supervisory board of Krupp, the West German steel and engineering group.

Krupp had heavy losses last year and has been the subject of speculation about its future structure and ownership.

Both Mr Herrhausen, who comes from the Ruhr industrial area in which Krupp is based, and Deutsche Bank agreed that the job would make too many claims on his time at a time when the bank was facing new challenges.

He became sole chairman of Deutsche Bank last May – previously he was joint chairman – and has stressed the need for it to push deeper into other European markets and into financial services.

Because of its slow reaction to worsening conditions in the industrial plant sector, Krupp is likely to report pre-tax losses of up to DM100m ($54m) in 1988. Mr Berthold Beitz, head of the supervisory board, has said he will step down in June.

Meanwhile, Thyssen, whose profits rose sharply last year, has said it is no longer interested in acquiring Krupp, after the latter snubbed its approaches. Krupp is controlled by a foundation, with the Government of Iran holding a quarter of the shares.

Dofasco raises profits by 53%

By Robert Gibbens in Montreal

DOFASCO, Canada's largest integrated steel company, earned C$185.2m (US$165m) or C$3.37 a share in 1988, up 53 per cent on the previous year's C$127.2m or C$2.30. Revenues were C$3bn, against C$2.5bn.

Algoma, the Ontario steel group which Dofasco acquired last August for C$535m, contributed C$21m to the results.

Strong demand resulted in full capacity working.

INTERNATIONAL COMPANIES AND FINANCE

American Express delays Japan card after bank pressure

By Stefan Wagstyl in Tokyo

AMERICAN EXPRESS, the US financial services group, has got itself embroiled in the perennial turf war between Japanese banks and securities companies.

The group has been forced to postpone a widely publicised new card it planned to launch in early January jointly with Nomura Securities, the largest Japanese securities company. The Amex-Nomura card was to be the same as an ordinary American Express charge card except that the money to pay for a holder's bills would not be drawn from a bank account but directly from his medium-term bond investment account at Nomura.

Japanese banks cried foul, claiming that the arrangement would allow Nomura to treat its fund accounts like bank savings accounts — and encroach on the banks' exclusive preserve of handling customers' payments.

The Japanese Ministry of Finance judged that the proposed card was not illegal under the terms of Japan's Securities and Exchange Law, which separates banking and securities. But the commercial banks, led by Mitsubishi Bank, which currently heads the Federation of Japanese Bankers' Associations, forced American Express and Nomura to come to the negotiating table.

One banker says the talks have not gone well. "I don't like to say this is war [between banks and securities companies]. But that's what it is."

The banks want American Express to drop its plan altogether or to limit the flexibility of the payment system — for example, by banning small transactions under Y10,000.

They warn that if American Express and Nomura were to press on with their original plan, they will move unilaterally into various areas of the securities business — possibly starting to broke stocks and shares in the form of depositary receipts.

Yesterday, it emerged that Mitsubishi Bank had threatened to charge American Express Y100 per transaction for payments made from Nomura investment accounts — four times the normal rate.

A puzzling aspect of the story is why Nomura chose to pursue a scheme which it must have known would run into severe opposition.

Normandy thwarts TNT in Poseidon bid battle

By Chris Sherwell in Sydney

NORMANDY RESOURCES, the small Australian mining group controlled by Mr Robert Champion de Crespigny, appears to have secured control of the cash-rich resources company Poseidon ahead of its rival bidder, the TNT transport group.

Although the final position is still subject to court findings on a suit brought by TNT, Normandy yesterday claimed a stake in Poseidon of 38 per cent, while TNT has a fraction under 20 per cent.

But because Normandy can expect the additional backing of the South African Anglo American Corporation, which has 10 to 11 per cent of Poseidon, it is assumed Normandy can stop TNT winning 51 per cent, which is a condition of its counterbid.

TNT is offering A$2.60 a share for Poseidon, valuing the group at more than A$400m (US$354.8m). Normandy offered A$2.30 cash plus one redeemable convertible preference share for every two Poseidon shares. The preference share is redeemable at A$5.30 in four years' time or convertible into a Poseidon share.

Normandy reached its current 38 per cent shareholding in Poseidon after increasing its direct stake to 24 per cent from its initial 20 per cent, and then receiving acceptances from Western Mining Corporation for 5.4 per cent and the National Mutual insurance group for another 5 per cent.

Bond shaken, not stirred in HK

John Elliott on the Australian entrepreneur's Hong Kong problems

Hong Kong has defeated Alan Bond. That will almost certainly be the verdict next Monday, when minority shareholders are expected to reject a controversial HK$2.20 a share offer from Bond Corporation Holdings of Australia to buy out their 33.8 per cent in its Hong Kong subsidiary, Bond Corporation International.

Two weeks ago, senior Bond executives were confident that the controversial Australian entrepreneur's offer for the buy-out — or privatisation as it is known in Hong Kong — would succeed. But this plan was upset on January 28 by a conditional HK$3 offer for Bond's 66.8 per cent holding from HKR Properties, a disgruntled and significant minority shareholder. HKR has successfully concentrated attention on the fact that Hong Kong's booming property and share markets have overtaken what was always a low offer from Bond.

Now it is being confidently predicted on Hong Kong's ever-active gossip grapevine that Mr Bond, strapped for cash world-wide, will somehow or other end his activities in the colony. It is being confidently predicted he will soon sell off his 50 per cent stake in the prestigious 46-storey Bond Centre office development which carries his name in white neon lights on top of what is one of the colony's highest and most architecturally stylish buildings.

But company executives insist he will not leave. "BCI will continue with its business in its format as a publicly listed company if the privatisation is defeated on Monday," Mr Peter Lucas, BCI managing director, said last night.

"Its object would be to continue to generate profits and to develop business opportunities in Hong Kong, China and elsewhere in Southeast Asia. The Bond Corporation has come to Hong Kong and intends to stay. We are here for the long haul."

Mr Lucas talks of possible brewing and other ventures in China and elsewhere. But on the Bond Centre, he always qualifies his denial of a possible sale and indicates obliquely that it might go for the right price.

BCI was floated on the Hong Kong stock exchange at the end of 1986. A few months later it bought the whole of the 1.05m sq ft Bond Centre, then being built as Financial Square, for HK$1.9bn ($243.6m). Later it sold a 50 per cent stake in the centre to EIE Development (International), the Hong Kong arm of a Tokyo controlled company.

This deal, plus a HK$1.4bn residential property purchase from Hong Kong Land and a stake acquired in the local TVB television station, won Mr Bond acclaim from local Chinese entrepreneurs. "He was behaving like a Chinese, building up assets funded by debt in a rising market, then selling off assets to reduce the debt," says one banker.

Controversy soon built up, however, first over misleading statements made by Mr Bond (who apologised publicly) on BCI's asset value, and over other deals abroad. The view in Hong Kong was that Mr Bond had not come to make regional investments, but to use the colony as a tax haven for world-wide ventures without consulting his minority — and predominantly local Chinese — shareholders.

Australian entrepreneurs have been attracted to Hong Kong because of its low 17 per cent tax rate. But this is expected to change when Australia implements its tax reforms, now delayed until next year. The changes seem likely to make companies operating abroad pay at least the full 39 per cent Australian rate and maybe more, depending on double taxation treaties.

This fuelled rumours that Mr Bond wanted to get out when, last October, he joined a trend for the buy-out privatisations, which enabled entrepreneurs to gain total complete control of undervalued companies at 1988's cheap stock market prices.

But Bond's buy-out offer last October of HK$2.20, although above the then market price of around HK$1.40, was far below BCI's net asset value of HK$2.81, since raised to HK$3.20 following the sale of the TVB interests last November.

Some bankers say the value should now be HK$4, if the Bond Centre is included at current prices. Located in the middle of Hong Kong's expanding commercial area, the centre's rents have gone up from around HK$20 per sq ft 13 months ago to HK$55 or more now. This suggests a market value of HK$5bn to HK$5.5bn, or even HK$6bn for a low immediate return, compared with HK$4.5bn in the privatisation valuation.

So criticism of Bond's HK$2.20 buyout offer built up, especially as Hong Kong's Hang Seng index climbed from 2,600 in mid-December to over 3,000 by the end of January.

Eventually HKR Properties, run by the immensely rich Cha Chi family, which has major textile interests in Africa as well as property in Hong Kong and North America, stepped in with its takeover bid as the standard bearer for angry Chinese minority shareholders.

The Cha Chi family wanted to focus attention on the issue but it also wants BCI's 50 per cent Bond Centre stake. Its bid of HK$3 a share totalled HK$3.6bn for the whole of BCI. But it wanted Mr Bond to buy back BCI's foreign interests at book value, so that it would have acquired the Bond Centre 50 per cent for HK$1.7bn, well below valuations.

Mr Bond rejected HKR's requests for talks and also decided not to improve his HK$2.20 buy-out offer because such a move would have been the start of a slippery slope with no end in sight. So the HK$2.20 had been left for the minorities to reject next Monday.

Then a new round will start as HKR and other would-be buyers move in on the main prize — half the glittering Bond Centre — with the winner, if there is one, presumably having the bonus of removing that glittering Bond neon name from its pinnacle in Hong Kong.

High lending volumes help Standard Bank profits

By Jim Jones in Cape Town

SUBSTANTIALLY higher consumer and mortgage lending volumes combined last year to increase the profits of Standard Bank, Standard Chartered's former South African subsidiary, even though banking margins were artificially depressed by the authorities.

The bank's total advances increased to R23.5bn ($9.6bn) at the end of 1988, from R18.5bn a year earlier, helped by an increase in mortgage lending to R3bn from R2bn.

Total assets rose to R29.7bn from R22.1bn. The operating profit before interest paid on deposits increased to R2.57bn from R1.71bn, interest payments rose to R2.17bn from R1.38bn and the pre-tax profit was R406m, against R329m.

The directors say the prime overdraft lending rate rose to 18 per cent from 12.5 per cent during the year, but add that lending margins were squeezed by the authorities' unwillingness to allow overdraft rates to rise in line with the money market rates which largely determine the bank's cost of borrowing.

Earnings increased to 270 cents a share from 225 cents and the year's dividend has been lifted to 95 cents from 82 cents a share.

The dividend was covered 2.75 times by earnings and the directors say cover will eventually rise to three times. Standard, along with all other banks, is increasing retentions to comply with increasingly stringent capital ratios being phased in under the new Banks Act.

● Rand Merchant Bank, the privately owned South African banking company, lifted profits in the six months to December 31, but says it was restrained by disappointing results from its traditional banking services.

The disclosed interim profit after tax and transfers to and from inner reserves was R7.5m. Total assets were R1.27bn at end-December, against R1.13bn a year earlier.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume (1980=100);retail sales value (1980=100);registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value	Unem-ployed	Vacs.
1987							
4th qtr.	108.5	109.5	29.1	133.3	210.8	2,653	232.1
1988							
1st qtr.	108.4	111.0	30.9	135.3	173.3	2,466	249.9
2nd qtr	110.1	112.8	31.2	137.0	181.2	2,364	255.2
3rd qtr.	111.2	116.3	31.4	139.2	138.0	2,228	244.3
4th qtr.						2,101	244.9
March	108.9	111.5	31.7	135.4	175.1	2,454	245.4
April	109.5	112.0	31.0	136.3	180.4	2,403	255.9
May	110.2	113.0	31.3	137.7	180.4	2,364	254.5
June	110.5	113.3	31.2	137.0	182.3	2,324	255.1
July	110.8	115.6	31.1	140.0	131.4	2,287	249.7
August	111.1	116.4	31.5	139.5	187.6	2,226	242.3
September	111.7	116.8	31.4	138.4	185.6	2,192	240.3
October	111.1	116.5	31.7	141.2	198.8	2,155	251.2
November	111.0	116.4		140.4	216.0	2,105	245.2
December				140.8	272.2	2,039	253.3

OUTPUT- By market sector: consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1985=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng output	Metal mnfg.	Textile etc.	Housg. starts*
1987							
4th qtr.	109.1	107.4	108.4	107.7	112.3	103.0	17.0
1988							
1st qtr.	109.8	105.0	108.5	107.4	119.0	104.3	19.6
2nd qtr	112.1	109.2	109.5	110.4	120.5	101.5	22.3
3rd qtr	114.1	115.2	109.6	114.3	123.5	102.4	23.4
April	110.5	108.0	109.5	109.0	124.0	101.0	21.0
May	113.6	108.9	109.9	109.0	120.3	102.0	19.8
June	112.0	112.3	109.1	113.0	119.0	101.0	23.5
July	114.2	112.3	109.6	113.0	126.0	104.0	20.5
August	113.4	116.0	108.4	115.0	126.0	102.0	20.5
Sept.	114.7	116.8	106.7	116.0	119.0	101.0	20.1
October	114.8	114.7	103.2	115.0	125.0	101.0	19.9
November	115.2	114.4	107.9	115.0	116.0	102.0	21.8
December							13.7

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn
1987							
3rd qtr.	109.2	119.5	-3,201	-1,204	+936	97.9	34.81
4th qtr.	111.9	120.6	-3,280	-1,968	+1,073	97.6	44.33
1988							
1st qtr.	106.2	117.1	-3,874	-2,635	+886	97.0	44.64
2nd qtr	110.8	126.6	-4,428	-2,661	+684	98.5	48.52
3rd qtr	110.2	136.2	-5,783	-3,724	+373	99.1	50.49
4th qtr.	109.9	137.3	-6,251	-5,051	+401	97.3	51.07
March	107.5	115.7	-1,024	-678	+220	96.8	44.64
April	113.0	123.3	-1,237	-848	+309	98.2	47.86
May	107.7	128.4	-1,713	-1,124	+223	98.7	46.53
June	111.6	130.2	-1,572	-893	+152	98.7	46.52
July	107.6	144.9	-2,681	-1,995	+70	98.6	49.83
August	104.5	130.2	-1,852	-1,165	+144	99.8	50.64
September	118.6	133.6	-1,249	-563	+150	98.0	50.43
October	107.0	142.4	-2,728	-2,328	+99	97.6	50.35
November	109.9	133.6	-1,866	-1,466	+137	97.4	51.04
December	112.8	136.0	-1,657	-1,257	+135	98.5	51.07

FINANCIAL-Money supply M0, M1 and M3 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit†; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	Cnsmer. credit† £m	Base rate %
1987							
4th qtr.	4.9	23.0	22.9	+11,202	3,007	+948	8.50
1988							
1st qtr.	5.2	20.9	21.2	+12,303	3,051	+965	8.50
2nd qtr	6.6	20.9	19.7	+15,343	4,173	+1,105	9.50
3rd qtr.	7.7	17.1	21.5	+15,740	3,162	+1,092	12.00
March	5.8	20.6	20.8	+3,625	1,059	+290	8.50
April	6.1	21.5	19.7	+6,644	1,576	+313	8.00
May	6.4	20.0	18.9	+3,798	1,358	+363	7.50
June	7.3	18.6	20.5	+5,139	1,239	+429	9.50
July	6.9	18.1	21.1	+6,150	1,362	+345	10.50
August	7.6	15.8	20.6	+3,361	1,179	+471	12.00
September	8.5	17.4	22.7	+5,680	621	+276	12.00
October	7.7	13.7	19.9	+4,218	1,533	+163	12.00
November	7.7	11.3	20.4	+3,301	766	+332	13.00
December						+295	13.00
1989							
January							13.00

INFLATION-Indices of earnings (1985=100); basic materials and fuels; wholesale prices of manufactured products (1985=100);retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931 =100); trade weighted value of sterling (1975=100)

	Earn-ings*	Basic matls.*	Whsale. mnfgt	RPI*	Foods	Reuters* cmdty.	Sterling
1987							
4th qtr.	120.5	98.4	109.8	103.2	101.7	1,683	74.9
1988							
1st qtr.	121.3	95.9	111.0	103.7	103.5	1,747	75.3
2nd qtr	124.8	97.8	112.8	106.2	104.8	1,817	77.6
3rd qtr.	127.5	93.8	113.9	108.6	104.7	1,902	75.9
4th qtr.		100.1	115.2	109.9	105.7	1,887	77.5
April	124.3	96.3	112.2	105.8	104.4	1,736	78.2
May	124.1	97.7	112.6	106.2	104.7	1,778	76.4
June	125.9	99.5	113.0	106.6	104.8	1,536	76.3
July	128.3	99.4	113.5	106.7	104.0	1,970	75.8
August	125.8	98.8	113.9	107.9	104.4	1,983	76.5
September	127.3	98.2	114.3	108.4	104.8	1,873	75.5
October	128.9	93.0	114.9	109.5	104.9	1,874	76.3
November	131.2	99.8	115.2	110.0	105.7	1,866	77.1
December		102.6	115.4	110.3	105.5	1,921	79.0
1989							
January						1,969	97.9

*Not seasonally adjusted

†Net changes in amounts outstanding, excluding bank loans.

Caisse seeks 'French and fair' role

George Graham in Paris on the financial institution's response to a volley of complaints from politicians and bankers

The Caisse des Depôts et Consignations, France's principal state financial institution, has earned a barrage of complaints from the right wing opposition over its role as the principal backer of Mr Georges Pebereau in his bid to take a commanding stake in Société Générale, the privatised French bank.

Politicians and bankers have criticised what they see as a backdoor renationalisation, and demanded an overhaul of its 1816 statutes. Mr Robert Lion, chief executive of the Caisse, was, nevertheless, calm yesterday as he presented his group's 1988 results: "On the whole a good year, a year of regained health."

Appointed by the President of the Republic and answerable to a supervisory board chaired by a member of parliament, Mr Lion runs a diverse group that has never lost its public interest mission, including the management of FFr730bn ($114bn) of tax-exempt savings books funds, the financing of subsidised housing and of local authorities, and an ill-defined role as moderator of the French capital markets.

Net profits on its core banking operations – after a "voluntary contribution" to the Government computed at standard corporation tax rates – rose 35 per cent last year to nearly FFr4bn.

Savings book accounts, which the Caisse manages, free of charge, for the French post office, "Ecureuil" savings banks and public Treasury agents, suffered net withdrawals of FFr19bn. However, Mr Lion regards the outflow as well below the alarm level reached in 1986, when the Government raised the ceiling on savings accounts, which receive a standard, regulated interest rate of 4.5 per cent.

The group's main operating subsidiaries also returned satisfactory results in 1988. Credit Local de France, specialised in local authority finance, made profits of FFr400m with FFr35bn of new loans.

Caisse Nationale de Prevoyance (CNP), which supplies insurance, pension and mutual fund products for the Ecureuil and post office networks, returned a profit of FFr600m on sales up 25 per cent to FFr16bn.

Caisse des Depôts-Developpement (C3D), meanwhile, at last returned to profit in its sector of urban development, civil engineering and consulting services, with earnings of FFr200m on turnover up 31 per cent to FFr9.6bn, in what Mr Lion describes as "a redoubtable turnaround effort."

Mr Lion points with pride to an increase in the Caisse's financing of low cost municipal housing, FFr60bn out of total lending of FFr50bn in 1988, at rates well below the market. In addition, Mr Lion yesterday announced a FFr9bn urban redevelopment package, half of it destined to renovating school buildings, at interest rates subsidised by the Caisse out of its own capital to the tune of FFr1.2bn.

Another point of pride is the increasing decentralisation, especially the devolution of the design of savings products from the CNP to its three main clients – the post office, the Ecureuil network, and the Treasury agents.

Mr Lion also claims a year's advance over most other French financial groups in the setting up of Chinese walls between the group's different divisions and in the control of personal dealings by fund managers and senior executives. Thus, he aims to rebuff criticisms of the Caisse's role in the SocGen battle, which has involved it in an insider dealing investigation by the Commission des Opérations de Bourse (COB), France's market watchdog.

But the opposition's outcry has less to do with dealing ethics than with the question of whether the state financial institution has abused its status to back a private investor and in the process destabilise the management of one of France's leading banks.

Mr Lion defends his group's position in the SocGen battle, comparing it to its decision last year to back Schneider in its takeover bid for the industrial controls manufacturer Télémécanique, or to its decision to help Compagnie du Midi fight off the approaches of Generali, Italy's leading insurer.

"Just because we are a public investor, that does not mean we have to be dormant or frigid. The Caisse des Depôts in its interventions should be active, French and fair," Mr Lion says.

For the moment, that means that he is ready to consider a solution to the SocGen *impasse*, currently under negotiation between Mr Pebereau and the bank's management, with Mr Jean-Claude Trichet, the director of the French Treasury, as arbitrator.

But he wants the views of Mr Pebereau's group of investors to be taken into account by the bank, including board representation; and he is happy with the status quo, if a satisfactory solution is not offered.

Ministers may block creation of biggest bank in Spain

By Peter Bruce in Madrid

THE SPANISH Government is actively considering blocking or delaying the creation of the country's biggest bank, Banco Espanol Central de Credito (BECC) – the merger of Banco Central and Banco Espanol de Credito (Banesto) – because of chronic boardroom infighting at Banesto.

Mr Mariano Rubio, governor of the Bank of Spain, held separate meetings earlier this week with the chairmen of Central and Banesto, Mr Alfonso Escamez and Mr Mario Conde respectively, and Mr Alberto Cortina and his cousin Mr Alberto Alcocer, who would be BECC's biggest shareholders, to warn them to patch up serious differences or the entire merger could fail.

The central bank is due to pass a report on the merger's progress to the Finance Ministry soon. On the basis of this report the Ministry will decide whether or not to allow the transfer of 95 per cent of both banks' assets to a new holding company to occur free of a 6 per cent capital gains tax. The amounts involved are so large that if the Ministry refuses to allow the tax break, the merger will certainly fail.

Mr Rubio's pep talk was a long time coming. The merger, which was to take place over three years, has been dogged by personality clashes and ill luck since it was announced last May. If the merger does go ahead, BECC will rank about 30th in Europe by assets – some Pta5,400bn ($46bn) worth – but it will be a marriage of second bests. Both banks are overstaffed and indifferently managed, say analysts, and the better matches would have been with Banco de Bilbao or Banco de Vizcaya. Bilbao, in fact, tried in vain to take over Banesto at the end of 1987.

Bilbao and Vizcaya have since merged and are the country's biggest bank for the moment. But it was Bilbao's failed takeover that began the whole BECC story. Mr Conde and his aristocratic partner, Mr Juan Abelló, had sold their pharmaceuticals company in 1987 and used the proceeds to become the largest shareholders in Banesto. After Bilbao's takeover bid, a shaken Banesto board invited Mr Conde to become chairman.

Meanwhile, the Kuwaiti Investment Office (KIO) had teamed up with Mr Cortina and Mr Alcocer (known as Los Albertos) in a venture called Cartera Central (central portfolio) and had taken 18 per cent of Banco Central to become its biggest shareholders.

Mr Escamez, 73, had been with the bank for decades and took fright. He found succour in Mr Conde, just 40, at Banesto, who agreed to the merger with Banco Central because he would become chairman of the new bank when Mr Escamez retires.

Los Albertos vociferously opposed the merger, as their holding with KIO in Central would shrink in the merged bank. Having failed to stop it, they began buying Banesto stock and now own nearly 3 per cent, which would give them about 7 per cent of the merged bank.

Mr Conde, meanwhile, was having a very public apprenticeship as a banker. One of his first acts was to spend up to Pta100bn buying back control last spring of five portfolio companies controlled by Banesto but through which a hostile buyer could have bought access to a considerable holding in Banesto itself.

This was probably not a serious possibility and the huge amount he spent irritated his old business partner, Mr Abello, by then a Banesto vice president. Towards the end of the summer, Mr Abello publicly split his and Mr Conde's joint holding of about 5 per cent in Banesto to manage his part – the lion's share – on his own.

Los Albertos compounded Mr Conde's angst by hiring Mr Miguel Boyer, the brilliant former Finance Minister, to run their investments in Central and Banesto, making him chairman of Cartera Central. Although a spokesman for Los Albertos denied yesterday they were trying to get rid of Mr Conde and position Mr Boyer as a future president of BECC, they have nevertheless given the handsome young Banesto chairman a very rough time.

Last month Cartera Central's five representatives on the Banesto board refused to approve the 1988 results presented to it by Mr Conde, in a row over accounting practice.

Even if the Government does not take extreme action and stop the merger, it may ask for it to be delayed until tempers have cooled. Whatever happens, none of the great hopes both banks had of merging their huge industrial interests as well have come to fruition and Spanish banking's big 1992 firework is now in real danger of toppling to the ground with a long, pathetic, hiss.

UNION Explosivos Rio Tinto, Spain's biggest chemicals company in which the Kuwait Investment Office has a big indirect stake, yesterday reported pre-tax profits of Pta5.2bn ($44.7m) for 1988, a 144 per cent increase over 1987 but due largely to extraordinary income of close to Pta10bn following a debt relief pact with its creditor banks in September.

Little change to Union Bank of Finland profits

By Olli Virtanen in Helsinki

UNION BANK OF FINLAND, one of the country's two biggest commercial banks, reports a virtually unchanged profit of FM1.2bn ($290m) before extraordinary items and taxes in the preliminary result for 1988.

Extraordinary income, mainly from sales of real estate, totalled FM550m, lifting the profit before appropriations and taxes to FM1.76bn. Adjusted earnings per share declined to FM3.53 from FM3.91 in 1987.

The board proposes an unchanged dividend of FM1.40 for A and C shares, and FM1.10 for B shares. The total amount of dividends paid will be FM352.8m. Consolidated assets increased by 15 per cent to FM133bn at the end of 1988.

Berliner Bank in Swiss deal

By Leslie Colitt in Berlin

BERLINER BANK, a city-owned bank which is gradually being privatised, has taken a 25.1 per cent share in Bankinstitut Zurich (BZZ), a private Swiss bank which caters for well-off private investors.

The West Berlin bank said its stake in the Swiss bank might be raised in the future depending on BZZ's private shareholders. Berliner Bank did not disclose what it paid for the stake but noted that the Swiss bank had a balance sheet total of SFr108.2m ($68m) last year, double that for 1987.

Franco-Belgian group seeks holding in Acec division

By Tim Dickson in Brussels

A FRANCO-BELGIAN consortium including Mr Albert Frère, the leading Belgian financier, yesterday declared its interest in taking control of the space, defence and telecommunications division of Acec, the struggling Belgian electrical engineering group.

The would-be bidders, which announced their plans at a press conference in Charleroi, consist of Matra, the diversified French company, Prominvest, the investment company which is part of Mr Frère's Groupe Bruxelles Lambert, and Gillam, a Liege-based data transmission technology company.

No indication was given of the value they would put on the Acec activities but the idea is that Matra would "take over leadership" of the defence and space interests, while Gillam would concentrate on telecommunications.

Almost all Acec's other activities have either been sold completely or put into joint ventures with new industrial partners (notably the French group Alsthom) under a shake-up inspired by Société Générale de Belgique, the group's main shareholder.

Negotiations over the remaining SDT division are known to have already taken place with Alcatel, the French telecommunications group. Yesterday's move by the rival consortium was seen as part of an effort to force the pace.

Acec's financial position has been the subject of considerable speculation in recent days. It is expected to become clearer after the company's EGM next week. La Générale said yesterday that "the clouds around Acec are the result of losses caused by industrial repositioning and by the social costs of restructuring."

Aker president to step down

By Karen Fossli in Oslo

MR GERHARD HEIBERG, the main architect behind the rapid international expansion of the Aker group, one of Norway's largest industrial companies, is to step down as president and become chairman, replacing Mr Harold Jakhelln, who is to retire.

Mr Karl Glad, one of Norway's most influential industrial leaders and a member of Aker's senior management team, is to replace Mr Heiberg from April 1. Mr Glad was previously the managing director of Aker Mek Verk, an offshore construction yard, which saw formidable profits during the early 1980s.

There has been speculation about the eventual exit of Mr Heiberg after 16 years as president since last autumn when he announced the radical restructuring of the company and a strategy to streamline its assets portfolio through the disposal of key shareholdings and separate Aker entities.

Aker's trouble surfaced after two years of expansion, when the bottom all but fell out of Norway's oil-driven economy which has suffered since the collapse of world crude oil prices in 1986.

This caused stagnation in Aker's domestic market at a time when Mr Heiberg had counted on continued growth in sales to finance his earlier spending spree.

Mr Heiberg is a strong advocate of Norwegian membership in the EC and has sought to position the Aker group within EC countries in the event Norway does not join the community. It is likely that Aker will face further restructuring and rationalisation with Mr Glad at the helm.

Mr Glad was instrumental in dismantling Kongsberg Vaapenfabrikk, Norway's loss-making arms maker, and reassembling parts of it which now show signs of a revival.

Last year Aker forecast that for 1988 pre-tax profits would hit NKr500m ($74m). However a downward adjustment to between NKr100m and NKr150m has been made because of a NKr350m write-off on an offshore platform construction project. In 1984 pre-tax profits reached NKr474m.

INTERNATIONAL APPOINTMENTS

Former US Secretary of State rejoins General Motors board

MR GEORGE Shultz, former Secretary of State, and Mr Thomas Everhart, president of the California Institute of Technology, have been elected to the board of directors of General Motors, the world's largest automotive group.

Mr Shultz, 68, previously joined the GM board in 1981 when he was president of Bechtel, the large San Francisco-based engineering, construction and management services company. He resigned from GM a year later to become Secretary of State.

Mr Everhart, 56, became president of Cal Tech in 1987. Before that, he held several positions in engineering instruction and college administration.

● IN A further move, General Motors has appointed Mr Robert J. Schultz an executive vice president and head of its Electronic Data Systems and GM Hughes Electronics subsidiaries. He will also be responsible for the GM Technical Staffs group and GM Corporate Information Management.

He replaces in the above duties Mr Donald Atwood, a GM vice chairman who has been nominated by President George Bush as Deputy Secretary of the US Department of Defence.

Mr Schultz previously served as vice president and group executive in charge of the Chevrolet-Pontiac-GM of Canada division. His successor is Mr Michael Mutchler, formerly vice president in charge of the GM Truck and Bus unit.

* * *

MR ROBERT Macintosh, 66, will retire this October as president of the Canadian Bankers' Association. He has led the chartered banks in their policy fights with the federal government for the past nine years, writes Robert Gibbens in Montreal.

He will be succeeded by Ms Helen Sinclair, 37, a senior vice president of government affairs with the Bank of Nova Scotia.

She said that her first task will be to smooth out any banks' frayed relations with Ottawa and improve their image with the public.

* * *

ALLIED IRISH Banks, one of the two leading banks in Ireland, appointed Mr Peter Sutherland to its board of directors.

Mr Sutherland, a distinguished lawyer and former Attorney General of Ireland, has completed a term of office as Commissioner of the European Communities with responsibility for competition and relations with the European Parliament.

He was the youngest ever lawyer to take silk at the Irish Bar, is a Barrister-at-Law in England, and an Attorney at Law, New York Bar. He was recently awarded the European Law Prize of the French Foundation of Liberty for his contribution to European Law.

* * *

PHILIP MORRIS, the US tobacco, food and drinks conglomerate which is the world's largest producer of packaged consumer goods, has appointed Mr Frank Resnik, 60, chairman of the Philip Morris USA division from February 1.

The post had been vacant since 1984, when Mr Hugh Cullman became vice chairman of the parent company.

Mr Resnik's previous positions at the division of president and chief executive officer have been filled by Mr Ehud Houminer, 48, formerly senior vice president, planning, for the Philip Morris group.

* * *

BANK OF New York has named Mr Samuel Chevalier vice chairman. He is the president of Irving Bank, recently acquired by Bank of New York after a takeover battle lasting more than a year.

Mr Chevalier joined Irving in 1960 and served in several lending, credit policy and senior management positions prior to becoming president in 1984.

* * *

MORGAN STANLEY, the blue chip US investment bank, has elected Mr Robert Greenhill to the newly created position of vice chairman.

Mr Greenhill, who remains director of the firm's investment banking division, has served as a member of the board since Morgan Stanley went public in 1986.

* * *

ROBERT FLEMING, the privately owned UK-based merchant banking and investment group, named Mr Christopher Murphy group manager, international private banking.

Mr Murphy, 43, will be situated in the firm's Zurich office and his task will be to develop the international private client management activities of the Fleming group.

Having joined Citicorp, of the US, in 1976, he was most recently with its private banking group in Switzerland, as manager of investment services, EMEA division.

INTERNATIONAL CAPITAL MARKETS

Smooth auction helps underpin Treasuries

By Janet Bush in New York and Katharine Campbell in London

US TREASURY bonds traded modestly higher yesterday morning in advance of the 10-year auction, partly because of strong demand at Tuesday's three-year sale and estimates that foreign investors may have taken as much as 40 per cent of that issue.

At midsession the Treasury's benchmark long bond was quoted ½ point higher for a yield of 8.76 per cent. The yield curve remained inverted with the equivalent bond yield on the three-month at just under 8.80 per cent.

GOVERNMENT BONDS

Primary dealers reckoned that Japanese investors had taken out about 30 per cent of the three-year auction. There was additional interest from European investors.

The size of the participation by Tokyo was notable because of the short maturity, which is not traditionally the area most interesting to Japanese investors.

The market is still trying to determine whether the US Federal Reserve has initiated another tightening move. The Fed followed up announcements of matched sales on both Monday and Tuesday by not operating in the market yesterday, where Fed Funds traded at 9¾ per cent.

IN EARLY trading, the Canadian market advanced firmly, mainly with an eye to the US.

Tuesday's auction represented the first time the authorities have used this method (rather than a traditional fixed price) for official funding at the long end of the yield curve.

It was thus a cautious C$450m that was launched on the market. But the paper was well received, particularly as it constituted a further tranche of the benchmark, the 10 per cent of 2008. The auction brings the total outstandings in the benchmark to C$2.92bn.

GERMANY is booked on the fortunes of the dollar at present, and signs of stability yesterday morning helped government bonds at the fixing by up to 15 pfennigs. But short rates remain under pressure, so that the Bundesbank's average yield on public paper stands at 6.74 per cent, its highest level for more than a year.

The 28-day repurchase agreement was allocated at rates between 5.70 and 5.95 per cent. Last time, the highest rates had touched 6.1 per cent.

UK gilt-edged securities advanced about ¼ point on the day at the long end, and roughly ¼ point in the shorts, largely following the US cue but also underpinned by a firmer pound.

The benchmark Treasury issue due 2003-07 ended at 118¾, exactly ⅛ a point up from yesterday's close. The main buyer is still not retail investors, but rather the Bank of England.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	109-23	+11/32	10.21	10.40	10.85
		9.750	1/98	100-16	+18/32	9.65	9.82	10.31
		9.000	10/08	100-31	+25/32	8.90	9.02	9.28
US TREASURY *		8.875	11/98	99-20	+8/32	8.93	8.90	9.22
		9.000	11/18	102-12	+10/32	8.77	8.84	9.04
JAPAN	No 111	4.800	6/98	97.7918	-0.094	4.95	4.87	4.78
	No 2	5.700	3/07	107.9889	-0.626	4.87	4.77	4.75
GERMANY		6.375	11/98	97.3500	+0.125	6.78	6.77	6.68
FRANCE	BTAN	8.000	1/94	98.2247	+0.301	8.97	8.85	8.51
	OAT	9.500	5/98	104.1000	+0.650	8.82	8.75	8.55
CANADA *		10.250	12/98	101.6250	+0.625	9.98	10.06	10.31
NETHERLANDS		6.7500	10/98	99.0750	-0.050	6.96	6.87	6.78
AUSTRALIA		12.000	7/99	90.5685	-0.588	13.71	13.40	12.85

London closing. *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal
Technical Data/ATLAS Price Sources

OTC derivatives take up the running in equities

Katharine Campbell on the quest by investors for increasingly sophisticated futures instruments

IN the cycle of feast and famine that characterises financial markets, 1988 was a year of slim pickings for straight equity brokerage business. Developments in equity derivatives, on the other hand, continued apace as confidence, dented after the 1987 stock market crash, returned.

And while the world's futures and options exchanges have not been resting on their laurels in this department, some of the more exciting developments have been in over-the-counter (OTC) deals. This is no accident, as they lie at the most lucrative end of the business – at least from brokers' point of view.

The immediate effect of the crash was to dent stock exchange activity dramatically. In the Chicago Mercantile Exchange's S&P 500 stock index pit, home to what was once the world's most actively traded futures contract, business declined 41 per cent last year compared with 1987. Other exchanges tell a similar story.

Only now is confidence returning – the London Traded Options Market, badly hit by the market collapse, has recently been recording post-crash highs.

But a period of quiescence did not choke off new exchange ventures. In September the Japanese burst into the stock index futures scene with both the Osaka's Nikkei 225 stock index future and the Tokyo stock exchange's Topix (Tokyo stock price index). In the more modest Swiss market, the fully automated Swiss Options and Financial Futures Exchange began trading options on domestic stocks in May, and on a stock index more recently.

Meanwhile, new exchanges are planned, notably the Deutsche Terminbörse, scheduled to open in January 1990. This will offer, among other things, equity options. And there is a veritable forest of novel equity index instruments mooted by US exchanges.

None of these developments pay brokers' salaries, however. Inclement conditions for both equity and equity derivatives broking with thin volumes and pared commissions have spurred the search for bread-winning tailored OTC products.

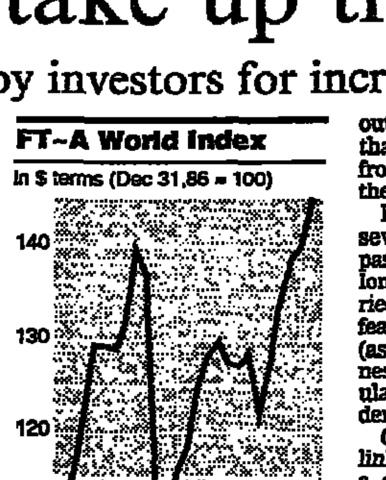
A recent study by James Capel, the London stockbroker, concludes that most future derivatives growth will be OTC rather than exchange based. The report contends that "regular options listed (on exchanges) do not fulfil the demands of increasingly sophisticated investors."

Mr Quintin Price, head of options research at Capel, adds: "If we had offered products based on the Nikkei index to a UK pension fund 18 months ago, we would have got short shrift. That is changing."

Techniques familiar in the more mature field of currency and debt derivative products are now beginning to be applied to the world of equities.

Much of the growth has been in options of longer maturities than are available on exchanges. Long-term currency options have been available for some while. Now options on, say, the Nikkei 225 or the

FT-A World Index



FT-SE index can be purchased offering broad protection for a Japanese or UK equities portfolio over one or more years.

The most public face of the business has been in offerings of long-term warrants based on stock indices, and Eurobond issues tied to the value of an index. The Japanese have been especially active in this field.

Last week both Salomon and J.P. Morgan launched warrants on the Nikkei 225. The Morgan deal consisted of two-year puts (giving the purchaser the right to exercise the warrants at any time over the period if the index falls a certain amount) with Morgan hedging itself against a complete collapse in the Japanese index by limiting the payout on the warrants to the first 50 per cent drop in the index.

The Salomon deal consisted of 18-month puts, 2.5 per cent out-of-the-money, which means that the payout is calculated from a point 2.5 per cent below the current level of the index.

Bankers Trust has concocted several similar deals in the past year or so. Two are no longer extant because they carried a so-called "over the top" feature, which meant that if (as indeed happened) the Japanese market performed particularly well, the puts were rendered worthless.

One or two issues have been linked to other indices, notably a series of both put and call warrants on the FT-SE index.

The snag with many of these offerings has been price. The over-the-top warrants were structured to cut down on premium, but that did little to comfort investors when their paper did indeed glide over the top. Calls, which allow the investor to benefit from a rising market, have been particularly richly priced.

The best deals to date have come courtesy of the Euromarkets, in the form of cheap puts sold by bullish Japanese investors to the more sceptical Europeans.

Typically a Japanese house brings a Eurobond issue where the redemption value is tied to the future level of the Nikkei index. The option element is then stripped out and sold on. The pricing works because, if the seller of a put (the purchaser of the bond) believes the Japanese market will continue relentlessly upwards, he will regard any premium he takes in as a bonus. The put purchaser thus obtains very cheap downside protection.

These deals, however, are merely the public face of a much bigger, and growing, collection of privately structured packages, tailored to individual investor requirements.

Mr Tony Iliya, of Bankers Trust in London, says: "We speak most frequently to asset allocators who are not just selling premium, but are taking a long-term strategic point of view." An OTC package can accommodate unusual strike prices and time frames to suit the particular requirements of the portfolio concerned.

Some of the more exotic types of options are being used, such as "look backs," which are hugely expensive, but cater well to ultra-conservative fund managers. Using a look back, the customer effectively chooses, with the benefit of hindsight, the best price over the life of the option and cashes in at that level.

To date most deals have been based on indices – and quotes, of varying quality, can be found on most key market indices, as well as on individually defined portfolios. Some London institutions will quote prices on individual stock options (which are not listed on any exchange) as well, which can prove an interesting play in potential takeover situations.

It is no wonder the brokers are happily promoting this general area. Commissions on a single private placement can represent 10 per cent of an entire year's traded options earnings, according to one house. In the early stages of this market the investor certainly pays a stiff finder's fee.

And while growing awareness of derivatives among fund managers helps sell these products, too much sophistication is not always welcome.

The more aware fund managers have yet to be convinced of the wonders of these novelties, correctly arguing that they lack the price transparency and liquidity provided by an official exchange. Almost all packages are tricky, and expensive, to unwind before maturity.

It is where there is no listed market, such as in Japan which still lacks an exchange traded index option, that there is the clearest need for the products. At the same time, if an exchange contract exists, vendors can lay off their own risk more efficiently and thus offer better prices, and greater liquidity on the OTC wares.

As more houses enter the business, increasing competition has certainly helped narrow prices a bit. But huge discrepancies persist. For example, on spreads which allow the investor to purchase the Japanese index at 32,000 and sell it at 34,000 the price (premium) will range from 850 index points or so up to 1,300.

While the exchanges see some opportunities in this nascent market, many of these instruments are not susceptible to listing.

The European Options Exchange is alone in offering long-term options – in this case three-, four- and five-year options on five Dutch stocks, including Royal Dutch and Philips.

From small beginnings, open interest (contracts outstanding) had climbed to 212,465 lots between the five stocks at the end of last month.

Dominguez Barry in A$261m MBO fund

By Chris Sherwell in Sydney

DOMINGUEZ Barry Samuel Montagu, the Australian investment banking arm of Midland Montagu of the UK, yesterday launched a A$261m (US$228m) fund to back local management buy-outs (MBOs).

The fund, Australia's largest, is for investment in the "mezzanine" or subordinated debt component of MBOs. Together with A$55m raised last year for equity finance, it means the bank can back buy-outs worth up to A$2bn.

Mr Stephen Higgs, a director, said: "This is a watershed for the bank and for MBO activity in Australia. The mezzanine component of an MBO is the most difficult to structure.

"Company managers can now contemplate buy-out transactions previously deemed too difficult because of size."

The fund has attracted 13 investors, including the AMP Society, the State Government Insurance Commission of South Australia, FAI Insurances, the BHP Superannuation Fund, Bankers Trust Australia, Bank of New Zealand and Banque Bruxelles Lambert.

Dominguez Barry, which has invested 15 per cent of its own money in each of the equity and mezzanine funds, rejects suggestions that it is providing a form of junk bond financing, pointing out that investors are not receiving a tradeable security.

Of its approach to MBOs, it says it is not looking for a portfolio of investments but will judge each proposal on its merits. If a particular proposal is too large, it is prepared to co-ordinate with other "packagers."

The bank has been responsible for seven of the 11 MBOs completed in Australia since 1986.

It is currently working on another three worth more than A$300m. The seven deals emerged from reviews of more than 220 investment proposals, and were worth a total of A$400m.

Canadian brokers to link

By Robert Gibbens in Montreal

A SEVERE drop in underwriting business and stock trading volume since the October 1987 crash has forced the two largest Québec-based brokerage firms to merge.

National Bank of Canada is linking Levesque Beaubien, which it acquired last spring, with Geoffrion Leclerc in a cash and share exchange worth C$21m (US$17.7m). The new company will be called Levesque Beaubien Geoffrion.

The firms have been rivals for many years and were highly profitable before the crash. Although Levesque has already been streamlined, the merger with Geoffrion is almost certain to bring further job losses. Together, the firms now employ nearly 1,500.

The new company will be 67 per cent controlled by National Bank, 5.4 per cent by Laurentian Group, 3.6 per cent by Banque Indosuez and 24 per cent by employees. As well as offices in Canada, it will continue to operate units in London, Zurich and Geneva.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Feb 8 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Tue Feb 7 Index No.	Mon Feb 6 Index No.	Fri Feb 3 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (208)	927.13	+1.2	10.11	3.85	12.13	1.09	916.21	903.55	913.25	714.00
2 Building Materials (28)	1152.18	+1.4	11.06	3.96	11.13	0.26	1136.15	1126.00	1144.09	953.47
3 Contracting, Construction (39)	1700.29	+0.8	11.65	3.59	11.19	0.00	1686.18	1677.48	1688.00	1438.77
4 Electricals (10)	2673.16	+0.7	8.10	4.22	14.89	0.00	2654.78	2628.61	2638.09	1986.68
5 Electronics (30)	2086.34	+1.1	8.98	3.14	14.40	7.19	2063.78	2028.43	2059.59	1429.69
6 Mechanical Engineering (55)	494.56	+0.9	9.64	3.80	12.63	0.12	490.25	481.59	483.58	371.17
8 Metals and Metal Forming (7)	523.42	+0.4	14.66	5.63	7.71	0.00	521.19	514.29	520.18	426.07
9 Motors (17)	317.73	+1.6	10.29	4.16	11.28	0.00	312.62	305.92	309.74	265.63
10 Other Industrial Materials (22)	1571.74	+1.9	8.78	4.01	13.52	3.46	1542.80	1521.18	1535.27	1282.30
21 CONSUMER GROUP (186)	1203.17	+0.8	8.65	3.49	14.49	0.87	1193.18	1172.38	1185.27	1004.50
22 Brewers and Distillers (22)	1296.99	+0.6	9.82	3.43	12.72	0.00	1288.91	1270.92	1285.87	967.95
25 Food Manufacturing (21)	1069.86	+0.6	8.57	3.60	14.66	1.57	1062.93	1050.78	1056.90	822.21
26 Food Retailing (15)	2101.11	+0.5	8.63	3.34	15.24	4.84	2089.67	2073.60	2118.38	1908.38
27 Health and Household (13)	2189.17	+1.4	6.13	2.48	18.70	0.20	2158.10	2106.84	2116.37	1772.58
29 Leisure (33)	1578.66	+0.9	7.68	3.38	16.47	1.30	1565.32	1537.65	1564.66	1166.88
31 Packaging & Paper (17)	607.36	+1.0	9.18	3.77	13.54	0.53	601.37	594.47	595.78	490.51
32 Publishing & Printing (18)	3916.24	+1.1	8.12	4.01	15.43	3.38	3874.14	3784.85	3827.77	3319.83
34 Stores (33)	886.72	+0.7	10.54	4.28	12.48	0.32	880.87	780.92	798.78	789.39
35 Textiles (14)	533.02	+0.2	13.06	5.34	9.17	0.00	531.99	525.09	538.66	554.22
40 OTHER GROUPS (93)	1063.77	+1.1	9.94	4.86	12.28	0.12	1051.75	1037.64	1047.35	856.47
41 Agencies (18)	1234.25	+0.2	8.51	2.58	14.82	0.00	1232.05	1209.48	1213.23	1046.80
42 Chemicals (22)	1235.01	+2.1	10.37	4.27	11.61	0.23	1209.69	1194.92	1198.82	1017.43
43 Conglomerates (12)	1485.35	+1.9	10.42	4.89	11.08	0.00	1458.13	1436.29	1445.70	1155.15
45 Shipping and Transport (12)	2329.29	+1.5	8.53	3.58	15.32	0.00	2295.07	2258.28	2260.68	1787.62
47 Telephone Networks (2)	1117.23	----	10.51	4.20	12.37	0.00	1117.79	1109.81	1132.86	935.10
48 Miscellaneous (27)	1477.60	+1.4	9.59	3.69	11.86	0.62	1456.73	1428.43	1440.86	1138.60
49 INDUSTRIAL GROUP (487)	1111.40	+1.0	9.41	3.75	13.13	0.76	1100.18	1083.31	1094.66	899.87
51 Oil & Gas (13)	1944.86	+0.4	9.48	5.71	13.58	0.00	1937.14	1926.10	1952.66	1752.21
59 500 SHARE INDEX (500)	1182.53	+0.9	9.42	4.01	13.18	0.70	1171.62	1155.17	1167.78	971.41
61 FINANCIAL GROUP (126)	776.56	+2.0	–	4.59	–	0.28	761.60	754.72	761.50	635.24
62 Banks (8)	788.44	+3.7	18.17	5.55	7.38	0.00	760.26	751.60	756.11	643.11
65 Insurance (Life) (8)	1086.92	+0.7	–	4.96	–	0.00	1079.41	1064.64	1088.89	947.65
66 Insurance (Composite) (7)	611.64	+0.6	–	5.11	–	0.00	608.28	600.46	606.81	486.87
67 Insurance (Brokers) (7)	1071.22	+1.7	8.17	6.07	15.29	0.00	1053.34	1040.12	1047.34	868.85
68 Merchant Banks (11)	353.50	+0.9	–	4.24	–	0.00	350.39	349.51	349.77	336.70
69 Property (53)	1339.17	+1.6	5.41	2.51	23.54	0.69	1318.40	1314.33	1324.89	997.19
70 Other Financial (32)	391.49	+1.2	8.91	5.14	14.00	1.12	386.67	383.92	386.51	374.87
71 Investment Trusts (76)	1085.53	+1.3	–	2.82	–	0.67	1071.31	1063.31	1069.70	831.66
81 Mining Finance (2)	676.82	+0.9	9.83	3.89	12.34	0.00	671.85	665.76	669.38	394.42
91 Overseas Traders (8)	1419.54	+3.3	8.81	4.78	13.17	15.65	1374.33	1358.36	1372.54	1089.58
99 ALL-SHARE INDEX (712)	1082.84	+1.1	–	4.05	–	0.72	1070.79	1056.93	1067.88	881.19

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Feb 7	Feb 6	Feb 3	Feb 2	Feb 1	Year ago
FT-SE 100 SHARE INDEX‡	2096.2	+23.4	2106.1	2088.9	2072.8	2044.3	2069.9	2043.4	2039.7	1718.5

FIXED INTEREST

PRICE INDICES	Wed Feb 8	Day's change %	Tue Feb 7	xd adj. today	xd adj. 1989 to date
British Government					
1 5 years	119.72	+0.22	119.46	–	1.26
2 5-15 years	137.79	+0.48	137.13	–	1.52
3 Over 15 years	152.31	+0.58	151.43	–	0.25
4 Irredeemables	175.06	+0.28	174.57	–	0.08
5 All stocks	135.04	+0.41	134.49	–	1.29
Index-Linked					
6 5 years	132.15	+0.30	131.76	–	0.00
7 Over 5 years	131.42	+0.43	130.86	–	0.58
8 All stocks	131.34	+0.42	130.79	–	0.53
9 Debentures & Loans	118.35	+0.08	118.25	–	0.62
10 Preference	89.82	+0.44	89.43	–	0.17

AVERAGE GROSS REDEMPTION YIELDS			Wed Feb 8	Tue Feb 7	Year ago (approx.)
British Government					
1	Low	5 years	8.90	8.97	9.01
2	Coupons	15 years	8.78	8.83	9.38
3		25 years	8.74	8.78	9.27
4	Medium	5 years	9.96	10.06	9.57
5	Coupons	15 years	9.21	9.28	9.59
6		25 years	8.89	8.94	9.43
7	High	5 years	10.13	10.22	9.67
8	Coupons	15 years	9.41	9.48	9.74
9		25 years	9.04	9.09	9.46
10	Irredeemables†		8.76	8.78	9.35
Index-Linked					
11	Inflation rate 5%	5yrs.	3.46	3.56	2.49
12	Inflation rate 5%	Over 5 yrs.	3.55	3.57	3.87
13	Inflation rate 10%	5 yrs.	2.64	2.73	1.58
14	Inflation rate 10%	Over 5 yrs.	3.39	3.41	3.71
15	Debs &	5 years	11.60	11.60	10.97
16	Loans	15 years	11.20	11.20	10.95
17		25 years	10.80	10.81	10.95
18	Preference†		10.04	10.09	10.50

‡Opening index 2097.6; 10 am 2097.3; 11 am 2089.0; Noon 2094.6; 1 pm 2095.2; 2 pm 2099.5; 3 pm 2103.8; 4 pm 2095.9; 4.05 pm 2096.3 (a) 2.54pm (b) 10.57am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	106	0	3
Corporations, Dominion and Foreign Bonds	18	0	33
Industrials	734	221	631
Financial and Properties	366	48	257
Oils	31	21	48
Plantations	1	0	11
Mines	46	33	107
Others	111	41	87
Totals	1,413	364	1,177

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. date	1988/89 High	1988/89 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
†	F.P.	-	413	355	CLF Yeoman	413	+5	R024½	4.6	2.5	13.4
§45	F.P.	-	58	45	‡Cassidy Brothers 10p	53		b3.08	2.0	7.7	8.4
245	F.P.	25/1	329	243	Compass Group 5p	319	+2	R7.2	2.7	3.1	16.4
§100	F.P.	-	116	108	Europa Minerals 2p	114		B1.0	-	1.2	-
§125	F.P.	-	138	131	‡Farepak 20p	136	+3	R4.75	2.8	4.7	10.5
§47	F.P.	-	49	47	Malaya Group 10p	48		B2.0	3.7	5.6	6.6
†	F.P.	-	258	230	NFC Var. Vtg. 5p	258	+9	u7.0	1.8	3.7	18.9
§20	F.P.	-	31	20	*Poddington 5p	29		-	-	-	-
§117	F.P.	-	120	110	‡Sandell Group 10p	120		14.4	1.8	4.9	11.8
§140	F.P.	30/1	178	141	Secure Trust 1p	178	+7	W7.09	2.3	5.3	10.9
§140	F.P.	10/3	148	143	‡Sheriff Holdings 5p	148		L5.25	2.4	4.7	11.9
♦	F.P.	-	£19⅛	£16⅝	Sumitomo Bank Y50	£17½	+¼	Q15%	7.5	0.02	70.2
62	F.P.	-	72	70	‡Torex Hire 10p	70		n2.25	1.9	4.3	12.9
§185	F.P.	-	203	195	Wood (Graham)	202	-1	R7.7	2.6	5.1	7.5

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	108p	103p	‡Apollo Metals 8p(Net) Cm Rd Pf 10p	108p	
100p	F.P.	-	111p	106p	Bardon Grp 5p(Net) Cv Cm Rd Pf 10p	107p	
100p	F.P.	-	107p	97p	Beauford Grp 7p(Net) Cm Cv Rd Pf 10p	107p	+2
100p	F.P.	9/1	120p	100p	‡Cityvision 8.5pc Cv Cm. Rd. Pf.	120p	+3
§100p	Nil	24/2	7pm	7pm	Friendly Hotels 7pc Cv Cm Rd Pf	7pm	
100	F.P.	29/3	93⅛	93⅛	Gt. Portland Ests. New 9½pc Deb 2016	93⅛	
100p	F.P.	-	102p	87p	Iceland Frozen Foods Cv Cm Rd Pf 20p	100p	+2
§100p	F.P.	24/1	100¼p	93p	Jessups 7.3p(Net) Cv Cm Rd Pf 50p	98p	
100p	F.P.	-	78p	54p	Kelt Energy 6pc(Net) Cv Cm Rd Pf £1	78p	
100p	F.P.	-	101p	86p	Leisure Invs 7pc Cm Cv Rd Pf(1988) £1	101p	+1
§100p	Nil	-	4pm	4pm	Lowe (R.H.) New 8¼pc (Net) Cv Pf 10p	4pm	
-	F.P.	-	100	100	Nationwide Anglia 12⅛pc 29.1.90	100	
§100p	F.P.	-	100p	88p	Rockware Grp 7¼pc Cv Cm Rd 2nd Pf	99p	+1
†100p	F.P.	-	100	80p	‡Thorpac 8p Cv Rd Ptg Pf '01-'05 50p	100p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price p	+ or -
130	Nil	8/2	27pm	3pm	Chillington Corporation	27pm	+2
330	Nil	17/3	162pm	67pm	ERF Holdings	160pm	+4
130	Nil	-	126pm	101pm	NFC Var. Vtg. 5p	126pm	+10

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. F Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♦ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ♦ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ‡ Unlisted securities market. ♦ Official London listing. □ Including warrants entitlement. * Third Market.

TRADITIONAL OPTIONS

- First Dealings Feb 6
- Last Dealings Feb 17
- Last Declarations May 18
- For settlement May 30

For rate indications see end of London Share Service

Calls in Eagle Trst, Oliver Res, Londo Fin & Inv, Willis Faber, Tranwood, Brit & Common, Alba, Eurotunnel Wrnts, Untd Guarantee Beckenham Grp, Dares Est, Tusker Res, Blacks Leis, Fergebrook, Ex Co Louis, Magnet, Jaguar, Amber Day, Control Secs, FKI, Amstrad, Next. Put Eurotunnel Wrnts, and Units. P/c Racal Telecom

LONDON TRADED OPTIONS

BUSY DEALINGS in traded options in London yesterday featured considerable trading in stocks as widely diversified as GEC, British Petroleum and TSB. There was also substantial business in the FT-SE 100 index, which on the underlying market was up 23.4 points on the day to 2,096.2, having reached post Crash highs of over 2,100 during the day.

Overall turnover amounted to 53,514 contracts, made up of 39,570 calls and 13,845 puts. Index trading accounted for 11,151 contracts, lying in 6,084 call contracts and 5,067 put. The index itself continued to gain support from the premium it commanded on the London International Financial Futures Exchange.

The most heavily traded options series in the index were the February 2,100 calls, which attracted 1,398 contracts, weighing towards the closing of position, and the February 2,150 calls, which found business of 1,911, weighted towards opening.

There was little net change in opening interest in the index calls, less than 100 contracts on the early count to 38,541.

On the put side, however, there was an expansion of 1,304 to 53,619. The most heavily traded of the put index series was the February 2,050, business in which came to 1,175, with exerciseable contracts in it rising 199 contracts to 1,943.

GEC attracted 3,883 contracts, comprising 3,853 calls and only 30 puts. Most of the options business in it was seen in the April 200 and 220 calls, the first series finding 1,203 contracts and the second 1,659, largely opening. BP caught the eye on the put side, on which there were 2,765 contracts traded, and substantial opening of interest, of 1,797 contracts to 24,758. The October 240 puts alone attracted 1,000 contracts.

TSB turnover came to 2,687 calls and 210 puts, as closing was seen, partly in the 1,300 contracts the April 120s.

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Alld Lyons (*482)	460	37	50	62	7	16	20
	500	13	29	40	25	33	38
Brit. Airways (*201)	160	46	49	52	1½	3	4
	180	28	31	38	3	6	8
	200	12	19	25	8	14	17
Brit Com (*241)	220	29	34	43	4	7	8
	240	15	21	30	10	15	17
	260	7	13	20	22	27	28
Boots (*265)	220	51	55	61	1½	4	6
	240	32	40	45	3	8	12
	260	16	24	32	10	15	18
B.P. (*275)	260	16½	25½	29	6	9	10½
	280	5¼	14½	18½	18	18½	21
British Steel (*79)	60	20½	22½	23	½	1	2
	70	11¼	13½	14¼	1	3¼	4½
	80	4¼	6¼	8½	4½	8	8¼
Bass (*941)	850	112	140	175	4	9	13
	900	72	102	132	13	20	25
	950	38	70	100	30	37	42
C & Wire (*439)	390	63	77	87	3	8	10
	420	40	52	65	8	14	22
	460	15	28	43	30	37	40
Cons. Gold (*1440)	1400	105	140	155	50	60	80
	1450	75	110	135	75	80	100
	1500	45	–	–	100	–	–
Courtaulds (*314)	280	44	54	59	3	9	12
	300	30	40	45	8	18	22
	330	14	22	32	22	33	35
Com. Union (*398)	360	43	51	55	6	10	14
	390	18	31	37	17	21	26
	420	8	18	25	37	38	44
G.K.N. (*368)	330	47	56	60	6	10	14
	360	23	37	42	15	19	25
Grand Met. (*530)	493	41	–	–	7	–	–
	500	–	59	70	–	14	18
	542	12	–	–	28	–	–
I.C.I. (*1220)	1100	137	167	185	10	18	25
	1150	90	130	150	19	29	37
	1200	50	100	117	37	45	52
Jaguar (*327)	280	54	64	71	4	8	12
	300	36	48	59	8	14	18
	330	18	29	39	20	27	33
Land Secur (*502)	500	115	125	–	2	4	–
	550	67	80	100	6	12	14
	600	28	45	68	18	27	30
M & S (*178)	140	43	46	–	1	2	–
	160	25	28	33	2	4½	6
	180	8	15	20	9	12	14
STC (*334)	300	41	50	58	5	12	15
	330	21	34	42	15	22	26
Sainsbury (*235)	200	40	46	50	2	4	5
	220	24	29	36	5	9	10
	240	10	18	26	12	17	18
Shell Trans. (*374)	360	–	–	40	–	–	14
	367	16	–	–	12	–	–
	390	7	16	23	28	28	31
Storehouse (*191)	180	20	29	34	6½	14	15
	200	11	20	24	16	26	28
	220	6	12	–	34	39	–
Trafalgar (*345)	330	27	36	44	7	14	15
	360	9	20	28	21	28	29
Utd. Biscuits (*331)	300	43	52	61	6	13	15
	330	19	30	41	13	21	25
	360	9	18	26	34	40	41

Option		Calls			Puts		
		Apr	Jul	Oct	Apr	Jul	Oct
Ultramar (*312)	294	32	–	–	12	–	–
	300	–	45	55	–	25	29
	330	14	30	40	32	40	44
Woolworth (*287)	260	38	44	52	6	8	12
	280	22	31	38	11	15	20
	300	12	20	27	21	24	27
Option		Apr	Aug	Nov	Apr	Aug	Nov
GEC (*228)	200	34	45	51	2	6	8
	220	18	31	38	6	12	15
	240	8½	20	–	16	23	–
Option		Apr	Jun	Sep	Apr	Jun	Sep
R. Royce (*162)	160	11½	14	20	7½	10	11
	180	3	6½	10	21	22	23
TSB (*133)	110	24	26	26	1	2	1½
	120	14	17	18	3	3½	4
	130	7½	11	12	6	7	8
Option		Feb	Apr	Jul	Feb	Apr	Jul
Ladbroke (*530)	420	113	122	128	1	1	3
	460	73	82	92	1	2½	7
	500	35	44	58	2½	6	14
Option		Feb	May	Aug	Feb	May	Aug
Brit Aero (*542)	460	86	95	104	½	7	12
	500	50	58	76	3	14	21
	550	12	32	49	16	34	43
BAA (*319)	300	23	35	42	3	7	11
	330	4½	16	24	16	20	25
BAT Inds (*569)	500	71	82	91	1	7	10
	550	25	42	56	4½	22	26
Brit. Telecom (*281)	260	23	35	41	1	4	7
	280	8	19	25	7	12	15
Cadbury Sch (*369)	360	12½	28	42	5½	18	24
	390	2½	16	24	23	33	39
Guinness (*397)	330	70	76	84	1½	2	5
	360	40	50	58	3	5	9
	390	14	26	38	6	16	20
LASMO (*498)	460	40	67	85	2	20	27
	500	12	42	60	13	33	45
	550	3	21	–	55	65	–
P. & O. (*662)	550	120	130	135	1½	4	6
	600	70	84	92	2	9	12
	650	25	42	55	9	25	27
Pilkington (*250)	240	14	26	29	3	8	12
	260	4	14	16	13	16	23
Plessey (*248)	220	30	40	45	1	6	9
	240	11	23	30	3	11	15
	260	4	14	20	15	20	24
Prudential (*179)	140	40	43	45	1	1	1½
	160	20	24	26	1	3	6
	180	5	10	15	6	9	12
Racal (*353)	300	55	68	74	1	5	11
	330	27	46	53	4	11	15
	360	9	28	35	14	22	30
R.T.Z. (*525)	460	70	83	92	1	7	11
	500	30	53	65	4	17	23
	550	6	25	38	33	42	48
Option		Feb	May	Sep	Feb	May	Sep
Vaal Reefs (*$70)	60	16	17	18	1	3	4
	70	6	8	10	2½	7	8½
Option		Mar	Jun	Sep	Mar	Jun	Sep
Amstrad (*174)	140	37	44	49	1½	5	6
	160	21	29	36	5	10	15
	180	12	18	25	15	21	23
Barclays (*484)	420	70	72	80	2	5	7
	460	32	35	48	10	14	20
	500	11	20	30	37	38	42

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Blue Circle (*500)	420	88	92	104	2	6	9
	460	50	58	72	4	13	18
	500	20	34	46	18	28	40
British Gas (*185)	160	27	33	35	¼	1¼	3
	180	10	17	20	3	5½	8
	200	2¼	6	9½	15	16	18
Dixons (*162)	160	11½	20	25	8	11½	15
	180	5½	12	17	22	24	26
Glaxo (*1288)	1200	120	160	203	12	28	38
	1250	78	120	170	25	45	55
	1300	50	97	140	47	65	75
Hawker Sidd. (*642)	550	105	116	131	1	8	15
	600	61	75	96	10	20	27
	650	28	44	67	26	42	48
Hillsdown (*291)	260	37	45	49	2	5	7
	280	20	28	35	5½	10	12
	300	9	–	–	15	–	–
Lonrho (*351)	330	32	52	62	8	15	23
	360	16	33	44	22	29	38
	390	6	22	32	44	46	57
Midland Bk (*476)	420	60	64	73	2	5	8
	460	20	35	43	14	17	22
Sears (*125)	120	10½	14	19	4	7	9
	130	5	10	13	8	11	14½
THF (*282)	240	42	49	57	1	3½	4½
	260	22½	32	40	4½	8	10
	280	9	20	29	13	16	18
Thorn EMI (*718)	700	40	60	75	15	28	34
	750	14	31	45	45	50	57
Wellcome (*509)	460	60	77	92	6	9	14
	500	28	50	65	15	23	28
Option		Mar	Jun	Oct	Mar	Jun	Oct
Beecham (*585)	550	53	75	92	8	18	22
	600	23	45	63	28	37	42
Unilever (*547)	500	58	70	90	3½	10	12
	550	19	40	55	18	25	30
Option		Mar	May	Aug	Mar	May	Aug
BTR (*354)	330	31	32	45	3	8	10
	360	12	15	26	14	19	23
Hanson (*184)	140	46½	48	50	½	½	1
	160	26½	29	31	¼	1½	2½
	180	9½	13½	17	4	6	8
Tesco (*160)	140	23	26	30	1½	2½	6
	160	7½	10	17	7	11	12
	180	2	–	–	23	–	–
Option		Mar			Mar		
Enterprise Oil (*536)	500	58	–	–	9	–	–
	550	24	–	–	33	–	–
Option		Mar	May		Mar	May	
Scot. & New (*423)	420	24	37	–	19	26	–
	460	11	19	–	43	45	–
Option		Feb	May	Aug	Feb	May	Aug
Con 9½% 2005 (*102)	100	3⅛	–	–	⅛	–	–
	102	1½	–	–	⅛	–	–
Tr. 12% 1995 (*108)	106	–	–	–	⅛	–	–
	108	⅛	–	–	–	–	–

FT-SE INDEX (* 2096)

	Calls Feb	Calls Mar	Calls Apr	Calls May	Puts Feb	Puts Mar	Puts Apr	Puts May
1800	315	333	342	–	1½	5	6½	–
1850	267	286	294	–	2	7	9	–
1900	219	241	250	270	4½	10	14	24
1950	171	194	207	225	7	15	19	33
2000	126	150	167	185	10	23	30	40
2050	86	111	130	150	21	36	44	55
2100	52	80	98	115	38	55	59	73
2150	30	55	72	90	67	80	88	97

February 8 Total Contracts 53,415
Calls 39,570 Puts 13,845
FT-SE Index Calls 6084 Puts 5067
*Underlying security price.

INTERNATIONAL CAPITAL MARKETS

News Corporation issue meets with strong demand

By Andrew Freeman

THE LAUNCH of a convertible deal split between three tranches was the main feature among Euromarket new issues yesterday. The borrower, Mr Rupert Murdoch's News Corporation, was seeking cheaper funding costs for the remainder of its share stake in Pearson, the UK group which owns the Financial Times.

News Corporation issued a preference share deal last year in US dollars and Swiss francs which refinanced part of its Pearson holding. Yesterday's issue was thought to have covered the rest of the near 19 per cent stake.

The precise structure of the deal, which was launched by Credit Suisse First Boston, has been seen before. For example, last year General Cinema refinanced its holding in Cadbury Schweppes.

However, traders were impressed by the simultaneous issue of tranches in three different currencies.

The total issue was for about £230m, split into two chunks of convertible preference shares

INTERNATIONAL BONDS

representing £150m and Fl 100m, and a convertible bond issue of DM175m.

Traders reported strong demand for all the paper from a broad range of Continental investors. The sterling issue, for example, was trading at 100¼ bid, a premium reflecting the indicated coupon of 7½-7¾ per cent and investors' expectation that the paper will track the Pearson share price. The D-Mark issue was quoted by the lead manager at 100¼ bid.

Final terms are due to be set on or before February 15, but there was a strong likelihood that the lead manager would fix conversion terms at the close of share trading in London last night.

The deal carries a call option at par after five years and an investor put option at 126 per cent to yield 11¾ per cent. Like News Corporation's previous convertible issue involving Reuters shares, there is also a cash alternative which means that the borrower keeps wide discretion over the underlying stake.

One trader commented: "This has been bought by long-term holders."

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Bank of Greece(a)‡◆	250	25bp	100	1999	65/30bp	Bankers Trust Int.
Nichii Co.#	500	(4½)	100	1993	2/1½	Nomura Int.
Banco di Napoli (HK)(b)◆	50	10⅛	102	1999	2/1¼	Sumitomo Trust Int.
Issue increased:						
EDF(c)◆	300	9½	101½	1999	2/1¼	J.P. Morgan Secs.
CANADIAN DOLLARS						
GMAC Canada◆	100	11	101⅞	1994	1⅞/1¼	Merrill Lynch Cap.Mkts
Issue increased:						
Kredietbank Int.Fin.(d)◆	100	11½	101½	1991	1⅛/⅝	J.P. Morgan Secs.
AUSTRALIAN DOLLARS						
New Sth Wales Treasury(e)◆	150	12.10	90.90	1995	2/1¼	Bain Securities
Swedish Export Credit(f)◆	50	15¼	101½	1990	1/⅝	Bankers Trust Int.
STERLING						
News Cayman Ltd.(g)	150	7⅝	100	1999	3/1¾	CSFB
Redland Funding Plc◆	100	10¼	101.383	2014	2½/1⅞	BZW/Warburg Secs.
D-MARKS						
News Cayman Finance(h)§◆	175	5	100	1999	2½/1½	CSFB-Effectenbank
GUILDERS						
News Cayman Invest.(i)§	100	5⅛	100	1999	3/1¾	CSFB Nederland
SWISS FRANCS						
Kommuninvest I Orebro◆	75	5½	100½	1996	2⅛	Credit Suisse
Final terms fixed on:						
Mitsui Toatsu Chem.(j)§◆	200	½	100	1993	1⅝	SBC
FRENCH FRANCS						
SAS◆	500	9¼	101⅛	1999	2/1⅞	BNP
PESETAS						
World Bank◆	10bn	11¾	101½	1994	1⅝/1½	Deutsche Bank Suc.Espana
YEN						
Instituto de Credito◆	9.55bn	5⅛	101⅞	1993	1⅞/1¼	IBJ Int.
Okobank(k)◆	5bn	9	101⅝	1993	1⅝/1½	J.P. Morgan Secs.

#With equity warrants. §Convertible. ‡Floating rate notes. ◆Final terms. a) 25bp over 6-month Libor, increases after 5 years to ⅜ over Libor. b) Call 1992 at 100. c) Issue increased from $250m. d) Issue increased from C$75m. e) Exchangeable into identical domestic issue. Priced net of negative interest. f) Borrower option to repay in either A$ or US$. g) Convertible preference shares. Put option March 1994 at 126 to yield 11¾% - cash alternative at issuer's option. h) Put option March 1994 at 116 to yield 7¾%. i) Put option March 1994 at yield 8%. j) Put fixed at 103¼ to yield 2.017%. k) Redemption linked to Nikkei stock index.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on February 8

US DOLLAR STRAIGHTS

[illegible]

YEN STRAIGHTS

[illegible]

OTHER STRAIGHTS

[illegible]

DEUTSCHE MARK STRAIGHTS

[illegible]

FLOATING RATE NOTES

[illegible]

SWISS FRANC STRAIGHTS

[illegible]

CONVERTIBLE BONDS

[illegible]

* No information available—previous day's price

† Only one market maker supplied a price

[illegible]

Japan eases foreign currency bond curbs

By Clive Wolman in Tokyo

JAPANESE trust banks have been permitted to increase their holdings of foreign currency bonds by about Y900bn ($7bn) in a move expected to stimulate a large inflow of Japanese money into US and possibly UK government securities over the next few months.

The liberalisation, announced yesterday by the Ministry of Finance, follows discussions with representatives of the seven Japanese trust banks. They have been complaining in recent months about a government-imposed 3 per cent ceiling on the foreign currency holdings of their loan trust accounts.

The new limits have now been set at 5 per cent but are expected to be raised further within the next year. The absolute limit laid down by law is 25 per cent.

Trust banks were first permitted to invest their loan trust funds in foreign currencies three years ago. The total value of these funds, which are sold mainly as interest-guaranteed time deposit funds for five-year periods to retail bank customers, is now about Y45,000bn.

Mr Yoshihiko Miyabe, assistant general manager of Yasuda Trust said the bank, which has Y6,000bn in loan trust funds, would increase its foreign bond holdings up to the new limit of Y300bn within three to six months.

Although most of the money would continue to be invested in US Treasury bonds, he said 30 to 40 per cent would probably be invested in UK, Canadian and Australian bonds, where yields were high compared with those in Japan.

The additional inflow into US Treasury bonds at the forthcoming auctions may help to slow a rise in long-term interest rates. Until now nearly all the loan trusts' foreign currency holdings have been in US Treasury bonds, but several banks have indicated a willingness to diversify into other currencies.

Goldman Sachs to underwrite Tokyo issue

By Stefan Wagstyl in Tokyo

GOLDMAN SACHS, the US investment house, is to become the first foreign securities company to participate in underwriting the flotation of a fully Japanese-owned company on the Tokyo stock exchange (TSE).

The move is a modest but significant advance by a Western company into the tightly guarded world governing relationships between Japanese industrial companies and their stockbrokers.

Goldman will underwrite shares in Sumisho Computer Services, a company quoted on the over-the-counter market and which is being elevated to the TSE's second section on February 28. Sumisho is an affiliate of Sumitomo Trading, the general trading company at the heart of the Sumitomo group of companies. The grouping includes Sumitomo Bank, which has a stake in Goldman.

Goldman will take 80,000 Sumisho shares on to its book at a price of Y3,410 ($26.4), the fifth-largest stake after Daiwa Securities, the lead manager, and four other Japanese securities houses — Nomura Securities, Nikko Securities, Yamaichi Securities and Sanyo Securities.

Goldman's participation in the issue follows a year in which foreign companies have increasingly squeezed their names on to underwriting lists.

Last February Goldman helped to underwrite the flotation on the TSE's second section of Nippon Avionics, an electronic instruments company jointly owned by Hughes Aircraft of the US and Japan's NEC. The fact that the company was partly foreign-owned made it less difficult for a foreign broker to participate in the issue than it might otherwise have been.

Meanwhile, on the OTC market, foreign companies have been involved in underwriting 100 per cent Japanese-owned issues.

Merrill Lynch, the US house, was one of six sub-underwriters in the sale of shares in Nagase Brothers, a company operating cram schools. Jardine Fleming, based in Hong Kong, and Morgan Stanley, of the US, were among five companies which underwrote the sale of Mandom, an Osaka cosmetics group.

Now that Goldman is set to write a TSE second section issue, other houses are expected to score similar small successes. But the prize of becoming the lead underwriter, which was the cream of the profits and usually gains a long-term corporate relationship, seems some distance off.

UK COMPANY NEWS

Union Discount falls to £3.47m

By David Barchard

THE UNION Discount Company of London, the financial services group, yesterday reported net profits of £3.47m for 1988, a sharp fall on the £11.66m achieved during the previous year.

Though the market had been warned of a likely fall in profits, the figures were more disappointing than anticipated and the shares fell 3p to close at 520p.

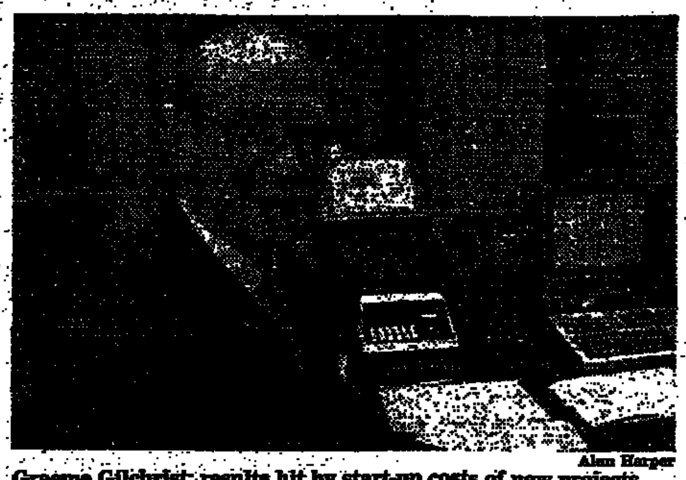
The proposed final dividend of 18.5p makes a total of 30p (28.7p) after adjusting for the two-for-one scrip issue during the year.

However Mr Graeme Gilchrist, managing director, said that the group was "quite pleased with the results."

He said it was not surprising that profits in 1988 had been well down on the previous year because interest rate movements had affected the profitability of the group's discount house business.

"Rises in rates almost invariably produce losses since in the nature of our business, the life of our assets is almost always longer than that of the supporting liabilities," he said.

"These results would have been better if we had not launched several new projects last year, facing their start-up costs at a time when interest rates were rising. But only a few years ago a four per cent rise in rates during a year might have wiped out our profits altogether." Mr Gilchrist added.



Alan Harper

Graeme Gilchrist: results hit by start-up costs of new projects.

Union Discount has been following a policy of steady diversification over the last three years in order to be less reliant on the discount market where margins are low and conditions are highly volatile.

Discount house operations accounted for about 60 per cent of profits in 1988. However, during the year the group increased the number of its offices in the UK outside London from three to eight, and in January 1989, opened a banking operation in Guernsey.

Other diversification during the past year included the launch of Winterflood Securities in April and of Union Discount Invoice Financing in July and the acquisition of Herald Financial Services and Sabre Leasing.

Stockholders disclosed funds now stand at £80.97m (£83.51m), while total current assets at the year end were £3.69bn (£3.1bn).

See Lex

High Court freezes £78m bid for Marina

By Paul Cheeseright, Property Correspondent

THE HIGH Court, in a move for which lawyers last night could find scant precedent, has frozen at least until next Monday the £77.7m bid made by Local London Group for Marina Development Group.

Mr Justice Morritt, in the Chancery Division, gave Marina Development an ex parte injunction prohibiting Local London from going ahead with its offer.

The injunction became effective, preventing any further share purchases, when it was served on Local London early yesterday afternoon.

The immediate effect of the injunction was to pull Marina Development out of the jaws of Local London's control. The latter had made an offer on Tuesday morning and by the end of the day had control of 47.7 per cent of the Marina Development equity.

Late Tuesday, Marina Development's advisers, Morgan Grenfell and PK English Trust, took legal advice from Herbert Smith, the City solicitors, about the status of the 25.8 per cent stake Local London had in Marina Development and the presence on the board of Robert and Graham Bourne, founders and significant shareholders in Local London.

This led in turn to Mr Tony Grabiner, for Marina Development, contending before Mr Justice Morritt yesterday morning that Local London, because of the presence of the Bourne brothers on the Marina Development board, had misused price sensitive information.

The full arguments of both sides will be put in an inter-party hearing at the Chancery Division of the High Court next Monday morning.

There is thus a breathing space for Marina Development not only to marshal its legal case but also its financial defence against the Local London bid.

A key element of the financial defence will be a new asset valuation. This was in preparation before the bid was made and will be published at the end of this week or the beginning of next.

At the end of March 1988, in its last accounts, Marina Development had a net asset value per share of 318p. Yesterday on the market, which knew nothing of the injunction until the late afternoon, the shares were 484p, down 1p on the day. Those of Local London were unchanged at 485p.

Local London, best known for its business centres, is making its bid on the basis that it could more profitably utilise Marina Development's land assets, next to its water operations, than the existing management. It is offering 465 new cumulative preference shares for every 100 Marina Development ordinaries.

CHI argues 'honest error' in takeover battle for Ricardo

By Nikki Tait

THE £21m bid battle by First Technology for Ricardo, Sussex-based designer of engines and transmissions, moved to the High Court yesterday, as C H Industrials attempted to get a court order freezing its 6.3 per cent stake in Ricardo lifted.

In court, CHI argued that its earlier incomplete or inaccurate replies to section 212 notices sent out by Ricardo – seeking to discover the beneficial ownership of certain shares – were the result of "honest error". It said that all the required information had now been correctly provided.

Ricardo, however, maintained that CHI was party to an agreement under section 204 of the Companies Act, by virtue of the irrevocable undertakings it gave to First Technology to accept the offer. It also asserted that there was a prima-facie case of a wider 204 agreement extending beyond CHI, First Technology and its advisers, BZW. Such matters, it claimed, had still not been fully or properly disclosed in CHI replies.

Section 204 deals with disclosure obligations arising from an agreement between two or more parties which includes provision for the acquisition of shares in a public company by either (or both) of them. The potential implication of Ricardo's argument is that rule 11 of the Takeover Code could have been breached, and that First Technology – which is currently making an all-paper bid – might be required to attach a cash alternative.

When First Technology, the car sensors and safety equipment group which is making the hostile bid for Ricardo, announced its offer, it declared that it already owned 14.9 per cent of the equity and had irrevocable undertakings to accept in respect of a further 13 per cent. Included in those undertakings was the CH Industrials holding.

However, Ricardo subsequently sent out a series of section 212 notices. The court's freezing orders, obtained as a result of unsatisfactory replies, covered three principle stakes in Ricardo – 918,000 shares owned by CHI, 472,000 shares registered in the name of Jocar Nominees, and 270,000 shares belonging to IA&N Nominees.

Yesterday, CHI conceded that its earlier 212 replies had failed to state that 371,500 of its shares were registered in the name of Jocar Nominees.

The hearing will continue today.

Hartley Baird 48% ahead and resumes interim payment

Hartley Baird, maker of electric motors, domestic appliances and precision engineer, lifted pre-tax profits 48 per cent from £271,860 to £402,619 in the six months ended October 31. Turnover jumped from £410,782 to £4.17m.

The directors said the results were adversely affected by start-up losses incurred by Tecnik Electric Motors and a move to larger premises by Light 'n' Easy (Consumer Products). However, both companies were now trading profitably, they added.

A dividend of 0.25p is being paid – the first interim for 30 years. Earnings were 1.97p against 2.94p last time when boosted by share dealing activities, since curtailed.

The company's shares are traded on the over-the-counter market.

Pressure mounts on Minorco bid banks

By Kenneth Gooding, Mining Correspondent

PRESSURE CONTINUES to mount on the banks which agreed to provide Minorco, the Luxembourg investment group, with up to £1bn in connection with its bid for Consolidated Gold Fields, the UK diversified mining group, because of Minorco's South African connections.

The Canadian government met considerable anger about the presence of the Bank of Nova Scotia in the Minorco consortium during a meeting of the Commonwealth Committee of Foreign Ministers on Southern Africa.

In its official communique yesterday, the committee noted "that such a loan may escape the strict terms of the present ban (on bank loans to South Africa) agreed by Commonwealth countries – excluding the UK – in 1986" but urged Canada in future to "be guided by the spirit and intent of the ban."

An observer from the UK Anti-Apartheid Movement said he expected the Canadian government to put pressure on the Bank of Nova Scotia to pull out of the financing arrangement which is still in place in case Minorco wishes to bid again for Gold Fields.

Another member of the consortium, Chemical Bank, has been criticised by the New York City authorities for taking part but said it is legally obliged to continue to offer Minorco financing facilities.

Bucknall Austin

Bucknall Austin has acquired the UK business of Edinburgh-based Pace, which provides project contract services for the North Sea oil industry, from Price Waterhouse, the company's receiver, for £175,000. Bucknall has not acquired any of Pace's overseas subsidiaries.

Steel buy for Firth

GM Firth has acquired fixed assets, stock and business of R Hayes Steel, for £70,000 cash.

Complex £45m deal finishes Bridon involvement in TWIL

By David Waller

BRIDON, the Doncaster-based wire rope manufacturer, yesterday ended its 56-year involvement in TWIL, the UK's largest wire manufacturer.

In a complex deal worth £45m, Bridon is selling its 40 per cent holding to British Steel and Bekaert, its former partners in TWIL, and acquiring three TWIL subsidiaries.

British Steel and the Belgian wire company are paying Bridon £25.5m cash. The three subsidiaries are worth another £20m.

For Bridon, the deal yields an immediate profit of £21m, boosting net assets by 37p per share. Moreover, according to Sir Christopher Laidlaw, chairman, the deal as a whole will not result in any dilution to earnings per share in the current year and will greatly improve the company's tax situation.

Brokers said the terms of the transaction appeared generous, given that the TWIL stake last year contributed £3.9m to Bridon's pre-tax profits, a modest sum given the scale of the consideration.

Details were released at the same time as a property revaluation which added a further 35p to the company's asset value and the shares surged 13p to close at 198p – just below the revised asset value of 205p per share.

Tinsley Wire Industries, as TWIL was known, was formed by British Steel, Bekaert and Bridon in 1933. In recent years, the complicated share structure had irked all three parties and there was pressure on all sides for a restructuring of their interests.

Bridon had 40 per cent of the shares but only 25 per cent of the votes, and lamented the fact that it could not exercise any control over the management of the business or its cash flow. In its last financial year, TWIL had turnover of £215m and produced 342,000 tons of wire.

Bekaert also had 40 per cent of the equity, but only 50 per cent of the votes and so felt unwilling to commit substantial resources to the company; British Steel, privatised last year, wanted to tidy up the uncertainty surrounding a major customer.

Under the latest deal, British Steel and Bekaert will end up with 40 and 60 per cent of TWIL respectively. The companies are each injecting £10m into TWIL and Bekaert plans to merge TWIL with its industrial wire business at Hemiksem, Belgium.

The businesses being acquired by Bridon are: Fox Wire, which makes stainless steel and alloy wire; Johnson & Nephew (Ambergate), which makes high carbon and higher tensile wire, and Lionweld Kennedy, a steel flooring and welding company. Collectively, the businesses made profits of £3m before tax and interest in the last financial year.

The transaction, still subject to shareholders' approval, leaves Bridon more or less free of borrowings and in a position to continue its expansion programme. In October last year it started negotiations to buy the unprofitable ropes division of Bethlehem Steel, the US group.

The deal is structured as a demerger so that none of the parties should face tax liabilities. Of the cash going to Bridon, £22.7m takes the form of a dividend so that Bridon will obtain a tax credit of £7.6m.

COMPANY NEWS IN BRIEF

HAMBRO CURRENCY Fund reported revenue down to £881,144 (£847,982) for the six months to December 23 1988. Total income amounted to £768,873 (£939,909). No dividend.

HOTEL & MEDICAL – As part of £2m funding package to finance group's expansion, County NatWest Ventures has made equity investment of £325,000. Loan finance provided by Allied Irish International Financial Services.

KEMP (PE) Holdings (Third Market-traded constructor of stage sets): pre-tax profits for year to October 31 were down to £177,353 (£310,497) on turnover up at £3.32m (£2.92m). Tax took £53,028 (£108,532) and earnings per 5p share were halved to 2.74p (5.53p). Final dividend of 1p, making total of 1.5p for year.

OCEANA DEVELOPMENT Investment Trust has agreed to acquire a 25 per cent interest in Gioma Group, privately owned operator of a restaurant chain in Belgium and the Netherlands. The maximum consideration is Fl 5.75m (£1.6m), based on profit performance over the next five years. The initial payment will be Fl 2.1m for a 10 per cent holding. Oceana will also subscribe for a convertible debenture of Fl 3.15m, which on conversion would raise its stake to 25 per cent.

PEACHEY PROPERTY, part of the Wereldhave Group, has purchased the freehold of Kodak House, 65 Kingsway, London WC2, for £28.75m. Vendor was the Louis Dreyfus Property Group. The property, which extends to some 65,000 sq ft, is currently let at £1.6m per annum, which reflects an equivalent yield of 7.5 per cent.

SCOTTISH AMERICAN Investment Company: Net asset value per 25p share totalled 112p (102.2p) at December 31 year-end. Available earnings for the year £6.29m (£4.81m) after tax of £2.52m (£1.94m). Earnings 2.81p (2.15p) and final dividend 0.74p making 2.57p (2.09p). Board indicated an increase of at least 15 per cent in the dividend for 1989.

ST MODWEN Properties: Turnover £17.29m (£13.1m) and pretax profits £5.33m (£2.62m) for the year to November 30 1988. Earnings 3.5p (2.2p) and dividend 0.8p (0.5p). Net asset value 29p (20.3p).

TR CITY of London Trust: net asset value at December 31 1988 stood at 85.9p, against 78.8p at the end of the previous first half. Revenue before tax in the six months under review rose from £3.14m to £4.26m. After tax of £1.09m (£875,000) earnings per deferred stock unit were 1.621p (1.146p). Second interim of 0.77p (0.64p).

UNION SQUARE has purchased and will refurbish a building in Nile Street, City Road, EC, in a joint venture with a private property company. Cost was over £2m.

WESTLAND GROUP has acquired for £1.3m the jig built fuel tank business of Marston Palmer, a subsidiary of IMI.

SHARE STAKES

Ambrose Investment Trust – Grahams Rintoul Investment Trust has disposed of its holding of 500,000 income shares (6.94 per cent).

Antler – J Saville Gordon is currently the holder of 1.7m shares and J D Saville, a director of J Saville Gordon (Commodities), personally owns 50,000 shares. This totals 29.8 per cent of Antler's issued shares.

Associated Nursing – Scottish Amicable Investment Managers has acquired 175,000, taking its holding to 601,018 (11.025 per cent).

Delyn Packaging – Coast Investment and Development, Kuwait has disposed of 50,000 ordinary, leaving the total holding at 515,000 (6.47 per cent). The shares are registered in the name of Bankuwait Nominees.

Dunhill Holdings – the trustees of the Dunhill Medical Trust have sold 8m ordinary at 230p each. The trust now holds 8m ordinary (4.76 per cent).

Fergebrook Group – Allied Equities has sold 2m ordinary shares and no longer has a notifiable interest.

Fleming Mercantile – Barclays Bank Pension Fund has acquired 1.7m ordinary, raising its holding to 10.7m (7.4 per cent). The shares are registered in the name of Barclays Nominees (George Yard).

Henderson Administration Group – USF and G Financial Services Corp acquired 100,000 ordinary, raising its holding to 1.62m (5.77 per cent).

Kunick – D Robinson and R S Smith have disposed of 1.5m and 4m ordinary respectively at 49p per share. Their holdings now stand at 4.02m (4.1 per cent) and 19.46m (19.8 per cent).

McLaughlin and Harvey – Mr Charles Yuill, chairman of Thorbourne, and certain other parties have increased their holding to 475,120 ordinary (11.67 per cent).

Nash Industries – J F Nash (Holdings), a company controlled by J F Nash, has purchased 45,000 ordinary. This increases the beneficial holding of J F Nash to 2.65m (31.05 per cent).

New England Properties – TR Property Investment Trust has purchased 4m shares, increasing its interest to 7.3 per cent. The two companies are founder members of the County Hall Development Group, which has exchanged contracts to buy County Hall, former home of the Greater London Council.

Ocean Wilson – South American Finance and Investment owns 5.5m shares (13.91 per cent). In turn that company is owned by Anstalt für Handel und Anlagen of Leichtenstein.

Osprey Communications – Hill Samuel Smaller Co's Trust now holds 465,505 (6.29 per cent).

Sanders & Sidney – M D Management Company, in which T Simpson, a director, has an interest, has disposed of its entire holding of 1.02m ordinary (about 22 per cent). The shares have been placed with institutional investors.

Scottish National Trust – Equity and Law Life Assurance Society's interest in income shares has fallen below 5 per cent. Its interest in the capital shares remains unchanged at 3.4m (5.32 per cent).

Temple Bar Investment Trust – London and Manchester Group has disposed of 405,000 ordinary and now holds 2.98m (5.2 per cent).

Throgmorton Trust – the Equitable Life Assurance Society has purchased a further 575,000 ordinary and now holds 3.43m (6.12 per cent). Prudential Corp has sold 270,000 ordinary and now holds 6.66m ordinary (11.89 per cent).

UK COMPANY NEWS

Ladbroke secures hold as T-line recommends offer

By Ray Bashford

LADBROKE GROUP, the international leisure company, yesterday put a strangle hold on Thomson T-Line following the decision by the industrial holding company to recommend acceptance of the £185.7m bid.

To consolidate its position in the fiercely contested takeover battle, Ladbroke rapidly entered the market after the Thomson T-line directors' announcement and snapped up 14 per cent of the company's capital, raising its holding to about 15.4 per cent.

Included in this stake was the 5 per cent owned by Hanson, the international conglomerate, which later confirmed speculation that it was considering support for an alternative offer.

The directors of Thomson T-Line said they would accept the revised 90p a share offer for their holdings, representing 11.8 per cent of the capital.

The 5 major institutional holders which control about 45 per cent of the shares are expected to welcome the recommendation, which ends two months of uncertainty, and accept for their holdings.

Ladbroke's 14 per cent stake was acquired at the offer price of 90p a share. This means that Hanson walks away with a loss on the investment, having bought the shares late last month in three parcels at between 92.5p and 94p a share.

Thomson T-Line and Hanson indicated that the Takeover Panel's move last Friday to prevent Wembley, the diversified leisure group, from making a bid was instrumental in their decisions.

The panel blocked a planned offer from Wembley of 95p a share after deciding that the company should be held to its announcement on January 25 that it did not intend to make an offer "at this time."

That statement is understood to have followed difficulties by Wembley in arranging the finance for the bid, which would have been on a cash and share basis.

The panel's decision was vigorously contested by Thomson T-Line and Wembley. Contact between the parties is understood to have been maintained until Tuesday afternoon in an attempt to seek clarification of the situation.

Thomson T-Line's principal subsidiary and main attraction is Vernons football pools, which has about 21 per cent of the UK pools business.

The company, acquired for £90m in February 1986 from the Sangster family, has formed a solid cash generation base for Thomson T-Line's expansion into another areas.

Ladbroke believes that Vernons will form a valuable addition to its extensive operations in betting.

Mr Cyril Stein, Ladbroke's chairman and managing director, has had his eye on Vernons since 1974 when he first mounted an abortive bid.

The bulk of Thomson T-line's remaining businesses, including its industrial fasteners, joinery, chemicals, electronic and electrical operations will now go on the market.

Mr Stein said last December, when he announced the first offer of 80p a share, that he expected to sell these interests and win control of Vernons for about £90m.

See Lex

Accounting change at Hodgson

By Andrew Hill

A FUNERAL director has become the first UK company to value the names of its subsidiaries in its accounts – a move also being considered by WPP Group, the marketing services and advertising company.

Hodgson Holdings' decision to put a value of £42m on the names of 80 groups of funeral companies bought over the last eight years could open a new chapter in the continuing debate over brand names.

Last year, Ranks Hovis McDougall, the bakeries and food group, stirred up controversy in the accounting profession by becoming the first company to put a value on existing brands in its balance sheet.

Hodgson argues that when buying a funeral business, goodwill and the value of the trade name are one and the same.

The group says this is because undertakers rely on the loyalty of clients to that local name, generation after generation.

In the past, acquisitive groups like Hodgson seemed to have only two options for accounting for the purchase of intangible assets such as customer loyalty. They could:

- write goodwill off against capital and reserves, thus eroding shareholders' funds, or
- amortise goodwill – in other words, write it off against profits over a number of years, thus depressing annual earnings.

By redefining goodwill as trade names in the 1987-88 accounts, Hodgson completely avoids write-offs, which led to a £21m negative reserve in the previous year's balance sheet, nearly wiping out shareholders' funds.

Other companies could only call part of their goodwill payments brand names; the rest of goodwill would still have to be written off in the balance sheet.

Price Waterhouse, Hodgson's accountant, approved the change in accounting policy. That could give confidence to WPP, which is seriously considering valuing the names of some of its subsidiaries.

WPP is thinking particularly of companies which have built up a reputation over a number of years, such as the advertising agency J Walter Thompson, Hill and Knowlton, the public relations group, and MRB Group, WPP's market research subsidiary.

The value of the Hodgson company names will not depreciate, but it will be monitored and any permanent drop in the value of a specific company name will be written off.

Britain's two other quoted funeral directors – Great Southern Group and Kenyon Securities – said yesterday they would continue to write goodwill off against reserves.

The multiplication of strength by division

Hugo Dixon and Terry Dodsworth on Plessey's demerger plan to thwart GEC/Siemens

AFTER THE failed attempt to carve up the General Electric Company, Plessey is now exploring the possibility of dismembering itself.

The suggestion that the group might demerge to escape the hostile attentions of GEC of the UK and Siemens of West Germany is as yet only a contingency plan.

But if it reaches the front burner, it would be as audacious as any of the bewildering manoeuvres that have characterised this bid battle so far.

Plessey is at present concentrating on a series of moves which could derail the GEC/Siemens proposals and leave the company free to go about its business as normal.

One of these is the court action in which it will seek to show that GEC has broken the agreement under which the two companies set up GPT, the joint venture telecommunications group.

The case could come to court as early as next week. If Plessey won, it would get the right to buy out GEC's share at an audited price – possibly up to £200m below its market value – and thereby remove the main attraction for Siemens in making the bid.

At the same time, the company will be arguing its case vigorously in the Monopolies and Mergers Commission over the next few weeks, concentrating on any anti-competitive elements it can find in the bid proposals, and on the necessity to maintain two strong UK defence electronics companies.

The competition issue will also be raised at the European Commission, where officials are looking at the validity of the consortium bid for Plessey.

This week's revision of the GEC/Siemens plan is seen by Plessey as a help in its appeal to Europe, because it more clearly sets out to split up the Plessey defence business between two of its competitors.

Running alongside these technical manoeuvres, Plessey is also initiating a high-powered attempt to convince shareholders that the GEC/Siemens proposals have no industrial merit.

Executives will be talking to a string of institutions about the group's expansion plans, stressing the integrated nature of the Plessey business, and trying to show that GEC/Siemens would tear apart operations that depend on each other.

"The thing that the other side has overlooked is that Plessey is not a loose agglomeration of activities," says Mr Stephen Walls, managing director. "The businesses depend upon each other."

It is understood, that only if these other lines of defence were to prove wanting, would Plessey consider activating the plan to demerge itself into two parts.

The first part would officially continue to be Plessey, but its only substantial asset would be half a share of GPT. It would account for about 40 per cent of Plessey's present business.

The second and larger part would own the rest of Plessey's businesses – principally in defence electronics, microchips, aerospace and engineering, and computer services.

The rationale behind a demerger would be to neutralise a poison pill that was written into the shareholder agreement establishing GPT.

Under this, GEC has the right to buy Plessey's share of GPT at a knock-down price, if control of Plessey changes hands.

This poison pill has deterred white knights from coming to Plessey's rescue, meaning that GEC is in practice the only company that can bid for the smaller electronics company. As a result, Plessey has argued that GEC and Siemens could end up buying it on the cheap.

Plessey has therefore been trying to find an antidote to the poison pill.

One possibility was the abortive consortium bid for GEC, which would have allowed Plessey to buy GEC's share of GPT. Another possibility is the present legal action.

A demerger is a third possibility. It would not involve change in the ownership of Plessey and would therefore, Plessey believes, not trigger the poison pill.

There could be two advantages in this approach. First, it could highlight the value of Plessey's share in GPT. Second, Plessey management would then be free to negotiate deals concerning the remaining 60 per cent of its business without worrying about the poison pill.

Sir John Clark: chairman and chief executive of Plessey

Any demerger of Plessey would have to be approved by its shareholders. It would therefore need to be structured in such a way as to convince them that they were better off giving their approval than taking cash from GEC/Siemens.

There are many possible ways of structuring a demerger, and it is understood that Plessey has not developed a firm view on which would be preferable.

A central question is whether Plessey would simply offer its shareholders two shares – one in each part of the business – or whether there would also be a cash element.

Offering cash might make a demerger more credible to shareholders. After all, the lack of cash on the table was one of the reasons that the counter-bid for GEC failed to get off the drawing board.

Against this, however, is the question of how Plessey would raise enough cash. One idea might be a management buy-out; another could be to line up buyers for one or both of the demerged businesses.

Those companies which were previously interested in taking part in the consortium bid for GEC would be obvious candidates. AT&T of the US and Northern Telecom of Canada might like part of GPT, while Thomson of France might be attracted by Plessey's defence business. There could, however, be all sorts of political problems in structuring such a deal.

A further issue would be the degree to which the company could fragment itself in a demerger. Plessey would be foolish to argue that it is important to maintain integrated operations – the line it is taking at the moment – if it is planning to split off bits and pieces to any bidder that comes along.

Mr Alan Jones, managing director of the group's defence division, said yesterday, for example, that the military operations depended crucially on the central research laboratories, along with the semiconductor division and the group's software specialists.

For this reason, Plessey stressed yesterday that suggestions of a management buy-out in the semiconductor division came directly from the managers of those operations.

It was a sign, said Mr Walls, of the disenchantment of the chip company management with the prospect of being run by GEC. Plessey, as a group, "would not want to lose semiconductors".

But, even if a split into more than two parts looks highly unlikely, a demerged Plessey would have the freedom to pursue joint ventures in defence and microchips.

A demerger might, of course, fail in shaking off GEC/Siemens. But, if all it did was to encourage the Anglo-German consortium to come back with a higher price, Plessey might not think it had done that badly.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Davies (DY) §	int	1.5	Apr 18	1	-	4
Hartley Baird §§	int	0.25	-	-	-	0.5
Leading Leisure♦	fin	1.5†	Apr 28	0.8	2	1.2
Kemp (PE) ♦	fin	1	-	-	1.5	-
P&P	fin	2	-	-	3	-
Scot Amer Inv	fin	0.74	-	0.55	2.57	2.09
St Modwen	fin	0.8	Apr 6	0.5	0.8	0.5
TR City London	int	0.77♠	Feb 28	0.64	-	2.65
Union Discount	fin	18.5	Mar 23	17.33*	30	28.7*

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ♠Second interim

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Bryant, Elbief, Portsmouth & Sunderland Newspapers, Ransom (William), Zurich.

Finals- Cons Bultfontein Mine, Griqualand West Diamond Mining, Scandinavian Bank, Sycamore, Throgmorton Trust, Ward Holdings.

FUTURE DATES

Interims-	
Automagic	Feb. 14
Burton	Mar. 21
Regentcrest	Feb. 17
Finals-	
Arley	Mar. 16
Continental & Industrial	Feb. 21
Cooper (Alan)	Feb. 27
Lowe Howard-Spink & Bell	Mar. 15
Paragon Communications	Mar. 7
Perry	Mar. 10
Sycamore	Feb. 9
Templeton Galbraith	Feb. 28

UK COMPANY NEWS

Expansion pays off as Leading Leisure tops £5m

By John Thornhill

NEITHER A fire at one of its casinos nor a substantial loss in its security division prevented Leading Leisure, the expanding Third Market-quoted leisure and property group, from more than doubling pre-tax profits to £5.15m in the year to October 31.

The advance from £2.4m was achieved on turnover of £78.98m (£35.15m). Earnings per share increased 39 per cent to 6.8p (4.9p) and a recommended final dividend of 1.5p makes a total of 2p (1.2p).

Mr Barry Malizia, the chief executive who on Monday also became chairman, said that overall results had met expectations. Coupled with Leading's strong asset base he hoped that this would enable it to achieve a full listing during the year.

The main contribution came from Leading's property interests which produced operating profits of £7.73m compared with £2.86m in the previous period.

The gaming division had recorded excellent results, he said. Although the Southampton casino was destroyed by fire in August this did not affect results, as it was fully insured and has since been relocated.

Losses in the security division amounted to £1.73m. Mr Malizia said that this had since improved but that discussions had already begun concerning its disposal.

Leading is planning major expansions in its leisure interests. A tennis centre and hotel at Basingstoke and a golfing hotel at Carnoustie are being developed in line with Leading's intention of creating a chain of sporting complexes.

Three extensive holiday projects at Hoddom Castle in Scotland, Westridge village on the Isle of Wight, and Glyn Rhonwy in north Wales, are also at various stages of development.

Leading's gearing is currently 150 per cent, but Mr Malizia claimed that this would fall to about 100 per cent after revaluations. Interest payments increased to £2.3m, up from £788,000 last year.

● COMMENT

Leading's breathless expansion continues apace. There is considerable admiration, if not amazement, at the number of deals Mr Malizia has put together. However, it is not clear how soon Leading's major capital investments will start feeding through into the balance sheet and this casts some doubts over its listing. But the company's ability to cut and run when it encounters problems, such as in the security division, suggests that it will not become massively unstuck. Naturally, there are worries at the fast rate of progress and the high level of gearing but the company's track record suggests that it will probably be able to cope with both of these. Profits may rise to about £8m this year giving a prospective p/e of 9. The general feeling seems to be to keep fingers crossed and hope that Leading knows what it is doing.

Dutch link for Sherwood

By David Waller

SHERWOOD GROUP, a *Nottingham-based maker of* women's underwear, said yesterday that it was close to reaching agreement to merge with Dentex Groep, a Dutch lace and lingerie company.

Further details will be published today or tomorrow: all Sherwood would say yesterday was that the deal was a positive development for both sets of shareholders and would take the form of an offer by Sherwood for all Dentex's outstanding shares.

PUBLIC WORKS LOAN BOARD RATES

Effective February 8

Years	Quota loans repaid: by EPT†	A††	at maturity§	Non-quota loans A* repaid: by EPT†	A††	at maturity§
1			11½			12¼
Over 1 up to 2	11¼	11⅛	10¾	12¼	12¼	11½
Over 2 up to 3	11	10⅞	10½	12	11⅞	11¼
Over 3 up to 4	10¾	10⅝	10⅜	11¾	11⅝	11⅛
Over 4 up to 5	10½	10½	10¼	11½	11½	11
Over 5 up to 6	10½	10⅜	10¼	11	10⅞	10¾
Over 6 up to 7	10⅜	10⅜	10¼	10⅞	10⅞	10¾
Over 7 up to 8	10⅜	10¼	10⅛	10⅞	10¾	10⅝
Over 8 up to 9	10¼	10¼	10	10¾	10¾	10½
Over 9 up to 10	10¼	10¼	9⅞	10¾	10¾	10⅜
Over 10 up to 15	10⅛	9⅞	9½	10⅝	10⅜	10
Over 15 up to 25	9⅝	9⅜	9¼	10⅛	9⅞	9¾
Over 25	9¼	9⅛	9⅛	9¾	9⅝	9⅝

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Cowie builds up 6.7% stake in BSG Intl

By John Thornhill

T. COWIE, a Sunderland-based motor group, yesterday revealed a 6.71 per cent stake in BSG International, the Birmingham-based motor distributor, vehicle components and consumer products manufacturer.

Mr Gordon Hodgson, Cowie's finance director, said that its stake had been built up in the last two to three weeks through the open market.

"We know the trade and think that BSG has been undervalued for a long time. We see this as a very sound investment," he said.

He added that Cowie now had a strategic holding in several companies in the motor sector but reaffirmed Cowie's policy of not making contested bids.

Mr Tony Dawson, BSG's finance director, said that BSG had received a letter from Cowie informing it of the stake but had had no other contact with the company.

"We await developments with interest," he said.

DY Davies recovers

Remedial action taken early in 1988 enabled D Y Davies, a USM-quoted provider of architechtural and allied services, to lift first half profits from a depressed £88,000 to £504,000 at the pre-tax level.

The profits were also 17 per cent higher than the £429,000 returned for the second six months of the previous year.

Turnover for half year to October 31 rose from £3.01m to £4.58m. After tax of £186,000 (£59,000) earnings per 5p share emerged at 5.8p (0.5p). The interim dividend is being stepped up by 0.5p to 1.5p.

Bowater sells 1m Norton Opax shares

By Andrew Hill

Bowater Industries, the packaging and industrial products group, has sold 1m of its shares in Norton Opax, the *specialist printer, in line with* last week's ruling by the Takeover Panel.

Following an unsuccessful appeal by Norton's merchant bank, Samuel Montagu, the Panel decided Bowater should sell the 1m shares but could keep the 23.7 per cent holding picked up on the same day in breach of the Code.

Merivale Moore

Merivale Moore, the property investment and development group, is raising £10.2m through a placing of 10.5 per cent first mortgage debenture stock due 2020. The issue is priced at £99.659 per cent, giving a gross redemption yield of 10.54 per cent. Dealings are expected to begin today.

P&P rises 83% to £7.51m and announces £11.46m acquisition

By Vanessa Houlder

P&P, the microcomputer distributor, yesterday unveiled the acquisition of Personal Computers, the troubled microcomputer distributor traded on the USM, for £11.46m in paper.

At the same time, it announced an 83 per cent rise in pre-tax profits to £7.51m (£4.11m) for the year to November 30 – its first as a quoted company. Turnover increased 47 per cent to £106.52m (£72.25m).

Fully diluted earnings per share moved up 57 per cent to 18p (11.5p). A final dividend of 2p per share was recommended, making a total of 3p for the year.

Mr David Southworth, P&P managing director, said that the Personal Computers acquisition would expand his company further into the South of England.

Personal Computers has said *it is likely to report a substan*tial loss in the first half of the current year, following a difficult trading period.

Under the offer, one new P&P share will be offered for each Personal Computers share, representing a premium of 61 per cent over Personal Computer's share price of 141.5p on Monday.

P&P has received irrevocable undertakings to accept the offer in respect of 72.6 per cent of the share capital. Full acceptance of the offer would result in the issue of 5.1m new P&P shares, representing 15.1 per cent of its enlarged ordinary share capital.

The share price of P&P fell by 1p to 230p; that of Personal Computers rose from 140p to 222p.

● COMMENT

If P&P was at all nervous about paying an apparently hefty price for a loss-making business, it was not showing it yesterday. It is confident that Personal Computers will prove *invaluable in broadening* P&P's geographical base and, furthermore, will not dilute this year's earnings. Reduced overheads, improved purchasing clout, quicker stock turnover and better back office organisation should improve Personal Computers' margins and help achieve this. Even so, analysts have some doubts about the deal. For one thing, P&P has no experience of turning around an acquisition. For another, Personal Computers' client base may heighten the conflict resulting from P&P's ability both to supply and compete with customers in the high street. Furthermore, there is a backdrop of worries about a price war in the personal computer market thanks to heightening competition and a slowing market. That said, P&P is bullish about its own sales and its excellent set of maiden results shows its ability to improve its margins. Given its emphasis on adding value to its core distribution business through training, installation, networking and *maintenance, that should con*tinue. Analysts expect the company to make profits of £10.5m this year, which puts the shares on a solidly-based rating of 11.

Boustead in £3.87m Singapore purchase

By Clare Pearson

BOUSTEAD, the international trading group, is expanding in Singapore with the cash purchase of Elmec Systems, which provides contract manufacturing facilities for the electronics industry, for a maximum of S$19m (£3.87m).

The purchase is being made by Boustead's Singapore agency business, Bousteadco. This was restructured, with the rest of the once-ailing group, under the direction of Mr Michael Noakes, the former divisional manager at BTR brought in as chief executive in 1987.

Elmec's unaudited pre-tax profits for 1988 were S$1.22m, on turnover of S$6.08m. The initial consideration is S$5m, and the balance depends on *pre-tax profits to 1991.*

Boustead, which spent £17m on three UK acquisitions last summer, lifted pre-tax profits to £1.01m (£368,000) in the six months to the end of last June.

Ferruzzi chief attacks threat to stability

By Philip Coggan

FT CONFERENCE
EUROPEAN MERGERS AND ACQUISITIONS

THE CHAIRMAN of Gruppo Ferruzzi, the major Italian agricultural and industrial company, yesterday criticised the growth in mergers and acquisition activity for forcing assets into "an inflationary spiral" which was distorting the world economy.

Speaking on the final day of *the Financial Times conference* on European Mergers and Acquisitions, Mr Raul Gardini said that acquisitions of industrial companies were often followed by a partial or total break-up, aimed merely at a quick profit.

This tendency, together with the easy credit which made such takeovers possible, posed a *serious threat to the stability* of the financial system.

"It is increasingly difficult to implement a sound industrial project without exposing the entrepreneur to exceptionally high risks," Mr Gardini said.

Professor Henk Meij, commercial director of Unilever, responded by saying that the field of mergers and acquisitions was effectively a market which set a price for management control of industry. He believed that price was better set by the market than by legislative regulation.

Mr Kazuo Chiba, the Japanese ambassador to the UK, said that in Japan, businessmen used to think M&A stood *for murder and assassination,* but their view had changed.

Now, with the stronger yen, it was absolutely necessary for Japanese companies to have production facilities abroad. Japanese acquisitions overseas were growing and Mr Chiba expected this to occur particularly in Britain, where Japanese companies were made *welcome by both national and* local government.

The ambassador said Japan would prefer that the British system of regulating takeovers should apply throughout Europe. The European Commission is currently considering a proposed directive on takeovers.

Mr Robert Swannell, a director of J Henry Schroder Wagg, said the main barrier to acquisitions in continental Europe was the ownership structure of *companies. It had been esti*mated that 80 per cent of the Milan stock exchange's market capitalisation was controlled, directly or indirectly, by just nine entities.

This meant that the so-called level playing-field could not be achieved between UK and European takeover policy. "Reciprocity is something of a red herring," he said.

UK companies would need to proceed in Europe via joint ventures or purchases of minority or controlling holdings, rather than through the launch of full-scale takeover bids.

Mr Bill Jordan, president of the European Metal Workers *Federation, said unions were* not against mergers, but they should promote genuine competition and should consider the livelihood of all employees.

Mr Martin Waldenstrom, president of Booz-Allen Acquisition Services, spoke about the shape of European business after 1992. Mr Peter Leslie, deputy chairman of Barclays Bank, discussed the challenges facing banks in the run up to 1992. Mr Stephen Parkinson and Mr Adam Broke of Arthur Young outlined the accounting, regulatory and tax differences between the various European countries and the way they affected merger and acquisition decisions.

Premier Unit Trust Administration Limited

SHENFIELD, ESSEX
ACCOUNTANT

Continued expansion means that we are seeking an enthusiastic and dedicated young accountant to join our Accounts Team. The job description is varied and chellenging and includes preparing accounts and quarterly IMRO Statements for Premier and its Client Companies, assisting in the preparation of budget forecasts and developing the Department's software for the 1990's. The successful applicant will have been qualified for at least a year and will already have some experience in the commercial environment (preferably in the finance sector). He/she will have a proven ability to respond positively to pressure and will be used to monthly management reporting.

In return for commitment and initiative Premier can offer a very competitive salary, a company car, free membership of a Private Health Scheme and a non-contributory pension. Future prospects are likely to be outstanding for the right candidate.

If you would like to know more about this opportunity please write to Kim Gurteen, Personnal Manager, Premier Unit Trust Administration Ltd, 5 Rayleigh Road, Hutton, Brentwood, Essex CM13 1AA.
Premier is an Equal Opportunities Employer.

CASTLE COMMUNICATIONS

GROUP FINANCIAL CONTROLLER
ENTERTAINMENT INDUSTRY

Substantial Salary Package including Car and Options

Castle Communications PLC is a USM - quoted company based in Putney in the entertainment industry with a dynamic record of growth, both internally and by acquisition.

A group financial controller is sought to control the financial affairs and management systems in the eight subsidiary companies in the record, video, and film industries. This will include both strategic studies, general management reporting.and acquisition and general commercial projects, with some foreign travel.

This is a senior appointment and applicants should be qualified accountants able to demonstrate an excellent financial and academic background, considerable commercial ability gained in a fast-moving environment, a high degree of computer literacy and good personal communications skills.

Please send full personal and career details to:

Cliff Dane, Castle Communications PLC, 15-16 Northfields Prospect, Putney Bridge Road, London SW18 1PE.

01-877-0922. No agencies.

Marriott
HOTELS·RESORTS

Marriott Hotels & Resorts, one of the fastest growing hotel-companies in world with 200 hotels & resorts, and rapidly expanding through-out Europe, Middle East and Africa, accepts applications for the position of

FINANCIAL CONTROLLER
ATHENS GREECE

Minimum qualifications required:
a) Certified or Chartered Accountant
b) Previous work experence preferably in similar positions in the hotel industry
c) Age up to 45
d) Fluent Greek & English

Apply now to:
ATHENS LEDRA-MARRIOTT HOTEL
PERSONNEL DEPARTMENT
Syngrou Ave., 113-115, Tel.934.7711

A direct line to the executive shortlist

To secure the best appointments at a senior level needs more than good advice, accurate objectives and succinct presentation.

InterExec not only provides career advice, but also a unique service to bridge the critical gap between counselling and the right job. Why waste time and money on unproductive letters?

InterExec clients do not need to find or apply for appointments. Over 50 full-time staff with over 5,000 unadvertised vacancies p.a. enable InterExec to offer the only confidential Executive placement service.

What is each unproductive day costing you?

For an exploratory meeting without obligation, Telephone InterExec on 01-930 5041/7

A member of the Career Development & Outplacement Division

InterExec SMI

Landseer House, 19 Charing Cross Road, London WC2H 0ES.

FOR ACCOUNTANTS

DIRECTOR AND FINANCIAL CONTROLLER
£25-30,000 + BONUS + CAR + BENEFITS
WEST MIDLANDS

Our client, a leading multinational engineering Group, requires a Director and Financial Controller for one of its rapidly expanding manufacturing Divisions. The Division is a world leader in its own specialist field generating sales of around £50 million and is headquartered in the rural West Midlands with companies in the UK and overseas.

A member of the Board and reporting to the Divisional Chief Executive, the successful candidate will be required to advise on possible acquisitions, investments and rationalisation studies, as well as being responsible for monitoring profit performance and supervising the Divisional Company Controllers. Routine responsibilities will include the Divisional administrative and financial reporting functions.

The position offers considerable scope and challenge to the right candidate, with wide-ranging financial responsibilities involving overseas travel and excellent career opportunities within a large UK multinational Group.

Applications are invited from qualified Accountants probably in their 30's, with a good knowledge of management accounting systems in a manufacturing/industrial environment. Candidates must be able to demonstrate general managerial aptitude as well as the ability to work with a small and closely knit management team in a rapidly expanding environment.

Interested men and women should write in the first instance, with full career details, and stating the names of any organisations to whom their application may not be sent, to:-

M.J. Ridley (FT/9)

RSJ Advertising & Communications

Compton House 124 Compton Road Wolverhampton WV3 9QD

Daffern & Co.
Chartered Accountants

A Member of CharterGroup

AUDIT MANAGERS
Coventry/Leamington Spa — £ Excellent+relocation

Our client, Daffern & Co, is a leading local firm of Chartered Accountants.

To meet the demands of an ever increasing client portfolio, they offer openings for ACA/ACCA's in their Coventry and Leamington Spa offices.

Ideally, you will have qualified within the last two years and gained significant exposure to all modern audit techniques.

Ambitious professionals with initiative and enthusiasm who could rise to this exciting challenge will be generously rewarded with an attractive salary package.

For further information contact: Accountancy Personnel, 4a Copthall House, Station Square, Coventry CV1 2PP. Tel: 0203 257202

OPPORTUNITIES IN EAGLE STAR
Cheltenham/London — £ Excellent Salaries & Bens

EAGLE STAR
INVESTMENT · INSURANCE · PENSIONS

Eagle Star is one of the most highly regarded Insurance and financial services Groups in the UK—we insure about 7 million people worldwide and manage funds approaching £10b.

Career opportunities exist for ambitious professionals at our head offices. If you are a qualified Accountant seeking a new challenge we'd like to hear from you.

In addition to our competitive salaries we offer a comprehensive range of benefits including preferential mortgage rates and a non-contributory pension scheme. We will also provide an excellent relocation package if necessary.

For further information contact: Accountancy Personnel, Ground floor, 37 St Georges Road, Cheltenham GL50 3DU. Tel: 0242 226227

FINANCIAL CONTROLLER
Maldon — £20–22,000+Car+Bonus

EDMS

EDMS a fully independent subsidiary of ICS Plc, is a specialist electronics manufacturing company operating in a fast moving and dynamic market.

Following a period of sustained growth, that has doubled turnover in the last year to 4.5 million, EDMS seek to appoint a self motivated and energetic Financial Controller.

As an integral member of a young, progressive management team your role will be one of total responsibility for the financial control of the company.

In return you will be rewarded by genuine group prospects, generous salary and bonus scheme and executive benefits.

For further information contact: Accountancy Personnel, 2nd floor Offices, Bank Chambers, New Street, Chelmsford CM1 1BA. Tel: 0245 262610.

Accountancy Personnel
Placing Accountants First
Hays
A HAYS PERSONNEL SERVICES LIMITED COMPANY

HEAD OF INTERNAL AUDIT
International Services Group
Package to £30,000

Crown Agents is a commercially orientated public corporation which offers a wide range of buying, technical and financial services to overseas governments and other public sector bodies.

Following internal transfers a key position in the Internal Audit Department has become vacant. The successful applicant of this high profile job will report directly to the Board of Directors and must therefore have extensive audit management experience gained within a computerised environment. He/she will have a recognised accountancy qualification and knowledge of financial institutions together with "hands on" experience of operational auditing techniques. The post holder may be required to undertake short trips overseas.

Salary package will include non contributory pension scheme and life assurance.

Please send detailed C.V. to Ms Inge Gebhardt, Personnel Division by 28 February 1989.

Crown Agents
An equal opportunities employer

The Crown Agents for Oversea Governments & Administrations, Personnel Division, St. Nicholas House, St. Nicholas Road, Sutton, Surrey SM1 1EL.

ACCOUNTANT

We are currently handling an assignment to introduce a qualified or part qualified Accountant to our client, a prime North American Securities House, involved in the UK and International Equity and Bond markets. This represents an excellent opportunity to utilise accounting skills within a fast moving environment, in a vital and highly visible role responsible for key aspects of Financial Accounting and Reporting.

The ideal candidate will be self motivated, aged mid to late 20s, with an interest in working in a computerised and technical area, offering both reward and challenge. A knowledge of the Securities industry would be desirable.

SALARY: c£25,000 + car + other generous benefits

For further details, please call Maggie Griffiths or, alternatively, forward a curriculum vitae.

GORDON BROWN & ASSOCIATES LTD. RECRUITMENT CONSULTANTS

5TH FLOOR, 2 LONDON WALL BUILDINGS, LONDON EC2M 5PP
TEL: 01-628 7601 FAX: 01-638 2738

Gordon Brown

International travel opportunity
International auditor
France — From 200 000 FF + Benefits

We are a world leader in the seed industry, with an annual turnover of 2 billion francs. The Group employs 2,300 people worldwide and has 40 subsidiaries, almost half of which are based outside France.

An opportunity now exists to join the Organisation and Control Department of our holding company in a role which covers two distinct areas.

- OPERATIONAL AUDIT:
  The examination of organisational procedures and management information.
- FINANCE AUDIT:
  Ensuring the reliability of financial information and accounts.

To qualify for this demanding position, applicants should be educated to degree level, with 3-5 years of professional audit training preferably gained in a firm of chartered accountants. Large company internal audit experience would be an advantage. In addition to first class communication skills, candidates must speak fluent French, incorporating a wide business vocabulary, but will have English as their mother tongue.

The post, located in the attractive university town of Clermont-Ferrand in the Massif Central will involve substantial travel to subsidiaries in Europe and Continental America.

The group's commitment to sustained growth and large market share will ensure excellent international career prospects for ambitious professionals. The basic salary offered will be supplemented by substantial benefits, including profit share.

Applications, with a curriculum vitae, photograph and details of current remuneration, should be sent, quoting reference 156, to:
GROUPE LIMAGRAIN,
Personnel Office, 1 rue Edouard Colonne,
75001 Paris (France).

Groupe Limagrain

MEDIA-SYSTEM

FINANCIAL DIRECTOR

Engineering
West Midlands
c£25,000 + bonus + car

Our Client, the subsidiary of a well known plc, and manufacturing a variety of components for the automotive and general engineering industries, now requires a dynamic financial executive. This is an excellent opportunity to make a significant contribution to a developing company making use of the latest technology. Candidates should be ACMA or ACCA, with at least five years' experience in financial management. They must be thoroughly versed in the preparation and interpretation of financial and management accounts, and have detailed experience of standard costing, cash and credit control, systems development and computers. The ideal candidate will have a proven track record in the engineering industry and have good, all round commercial acumen. The remuneration package includes a company car, a pension scheme and medical insurance.

Please write or telephone for an application form or send a detailed CV to, D.J. Dewhirst, Human Resources Group, Ref: PBM/3018/DJD, PA Consulting Group, 6 Highfield Road, Edgbaston, Birmingham B15 3DJ. Tel: 021-454 5791.

PA Consulting Group
HUMAN RESOURCES
Creating Business Advantage

Assistant Group Treasurer
Investment Group West End
Package c£28,000 + Car plus Benefits

Our client is a highly profitable quoted Investment Group with net assets approaching £½bn. Internal promotion has created the need to recruit a young recently qualified accountant as Assistant Group Treasurer. The position will provide exposure to members of the board and other members of the management team. The role embraces production of detailed information on the Group's funding, close personal liaison with International Banks and Brokers, ad hoc exercises plus control of the electronic banking system. The appointment offers challenge with responsibility and applications are invited from qualified accountants under 30 who can demonstrate both technical ability and commercial sense. This is an excellent opportunity to join a close knit team renowned for its professionalism. Package embraces salary and bonus, benefits include non con pension scheme, BUPA, Luncheon allowance and 23 days holiday.

Applications to R.J. Welsh.

Reginald Welsh & Partners Ltd
ACCOUNTANCY & EXECUTIVE RECRUITMENT CONSULTANTS
12-14 Newgate Street, London, EC1A 7AA. Tel: 01 600 8387

FINANCE DIRECTOR

EAST MIDLANDS — C. £28,000 + CAR etc.

Our client is the Automotive Services Division of a well-known British PLC. The Company, with sales of £50m, serves retail and commercial customers through a network of branches throughout the UK supplying tyres and other fast-fit motor components.

The ideal candidate will be a graduate chartered accountant, aged 30-45, who has had a successful record of financial management in a multiple retail or multiple operation business, with particular strengths in financial reporting systems.

Reporting to the Managing Director, this is a marvellous opportunity for a commercially minded accountant to join a well funded and expanding Group at senior level.

Please write in strict confidence, sending an up-to-date CV, to: Robin Fremantle, Management Search International Limited, 3 Belgrave Mews, Edinburgh EH4 3AX.

MSI

Executive Search and Recruitment Consultants.

Offices: Atlanta, Charlotte, McLean V.A., Washington, New Orleans, Houston, Dallas, San Antonio, Oklahoma City, Palm Springs, London, Edinburgh

BUSINESS ORIENTATED ACCOUNTANT

Yorkshire c £20K + car + benefits

Our client represents the European Division of a large, heavily diversified U.S. multi-national.

Following internal promotion they seek a qualified accountant, ideally with a business related degree and experience of manufacturing and/or marketing in a large organisation.

Major responsibilities will include:

* Managing the computer based forecasting and annual planning process for the three major business groups.
* Close liaison with senior manufacturing and marketing management in each business group to understand and contribute to achievement of profit and asset goals.
* Analyse and explain operating results to senior management.
* Control of cash forecasting and management.

If you have the experience and commitment to fill this demanding role please write with full career details. These will be forwarded direct to our client. List separately any companies to whom your application should not be sent.

H. M. Greenwood, Ref. HMG/90/7.

MSL Advertising, Ebor Court, Westgate, Leeds LS1 4ND.

MSL Advertising

CORPORATE PROJECT ACCOUNTANT

BIRMINGHAM

Mid-Late 20's **£22-24k package + car + benefits**

Our client is a fast expanding Group of manufacturing companies that has strenghened its profit base by a strategy of selective acquisitions and organic growth - continued expansion at a similar rate is planned.

This rapid development has created the need for a high-flying young accountant based at the Group's Head Office, but with a wide-ranging role that will involve project work at the operating subsidiaries.

Your principal role will be to work with the Group Financial Controller monitoring the performance of the Group's subsidiaries - investigating and reporting on key performance indicators, developing management reporting and financial control systems. You will also be involved in the assimilation of acquisitions into the Group, monitoring their financial impact and implementing the Group's financial disciplines.

The successful candidate will be an ambitious qualified accountant with commercial flair, supported by strong technical accounting skills. You will need the ability to communicate effectively at all levels of the Group's structure, including the Main Board, and to be able to act with initiative in developing and executing project work.

The experience you gain in this challenging environment will develop your commercial and technical abilities and continued growth should ensure that future prospects are excellent.

Please contact Karen Travis at our Manchester office quoting ref. no. B198.

ASB

Amethyst House, Spring Gardens
Manchester M2 1EA. Tel: 061-834 0618
Fax: 061-832 9123

Also at: Liverpool and Leeds

ASB RECRUITMENT LTD A Division of ASB Barnett Kinnings Plc

Newly Qualified Management Accountancy Appointments

On February 16, 1989, the Financial Times proposes to publish a list of the Management Accountants who have been successful in the recent Final examinations.

The heading will be **"Newly Qualified Management Accountancy Appointments"**, and is an ideal opportunity to recruit Management Accountants with at least three years business experience.

The advertising rate will be £49.00 per single column centimetre withe premium positions available by arrangement at £59.00 per single column centimetre.

For further information please contact:-
Paul Malaviglia
or
Deirdre McCarthy
or your usual Financial Times Representative
on 01-248 8000

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

Financial Manager

Insurance Services

Isle Of Man, c £30,000, Car, Benefits

A major retail group with in house extended warranty insurance and credit facilities, seeks a financial manager for its insurance services division which has a substantial asset base.

The appointee will be responsible for the performance analysis of the existing insurance business and will forecast trends. Key tasks include the analysis of business development opportunities and the supervision of the preparation of management and statutory accounts and budgets.

Candidates, aged 25-35, should be qualified accountants with experience in a dynamic commercial environment and a knowledge of investment appraisal. The appointee will be highly organised, working in a matrix management approach and have demonstrated commercial acumen and be able to get behind the "figures" in advising the management team.

Career prospects are very good and there is a relocation package.

There is a maximum rate of tax of 20%.

R.A. Flude, Ref: M15063/FT. Male or female candidates should telephone in confidence for a Personal History Form, ***061-832 3500, Fax: 061-834 8577, Hoggett Bowers plc, St. James's Court, 30 Brown Street, MANCHESTER, M2 2JF.***

Hoggett Bowers

BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, SHEFFIELD and WINDSOR
A Member of Blue Arrow plc

FINANCIAL PLANNING & CONTROL MANAGER

Guiding a £100m distribution operation through a time of change.

c.£28K + car (fully expensed) + benefits
Near Heathrow

Safeway plc, the main trading subsidiary of the Argyll Group, is committed to a major expansion programme which includes the conversion of our large Presto Supermarkets to the Safeway concept. Current sales are in excess of £3.4 billion.

Meeting this rate of expansion has seen our Distribution Division become one of the most sophisticated in the industry. Now the demands of further growth and the need for maximum efficiency have resulted in a major investment and expansion programme.

Assisted by a small team, you will work closely with the Distribution Board and be fully involved in the management of a £100m revenue budget. Analysis of management information, business plan review and tight control of a £50m capital expenditure budget will be complemented by long-term strategy projects. Regular travel to Distribution Centres throughout the UK will also be required.

This role will demand first-class interpersonal and analytical skills. Candidates will be qualified accountants (28-35) with at least two years' commercial experience, ideally gained in a FMCG environment.

This position will provide the opportunity to further develop your business skills in a dynamic environment where future prospects are excellent.

To apply, please write with full career and salary details to: Paula Taylor, Personnel Manager, Safeway plc, 6 Millington Road, Hayes, Middlesex UB3 4AY. Tel: 01-756 2131.

SAFEWAY

MANAGEMENT ACCOUNTANT

Business Publishing

LONDON c £23,000 + Car

This is a challenging appointment within the Business Publishing Division of the Financial Times Group. Both the Publishing Division and Group are going through a long term period of expansion through the development of new products and from acquisitions, and this has lead to a reappraisal of the management accounting requirements.

The successful candidate, with a small staff, will be responsible for the preparation of all management information relating to the division, including project appraisals. Some involvement on the financial accounting side will be expected. He/she will also be actively involved as a member of the commercial team. Considerable opportunities for career development are available within the Group.

Aged 28+ applicants should be qualified accountants, able to demonstrate relevant experience and sound commercial awareness. Good inter-personal skills and the ability to work to strict deadlines are required.

Please write enclosing a career/salary history to:

Personnel Department
Ref SMA/BP
Financial Times
Bracken House
10 Cannon Street
LONDON EC4P 4BY

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

LUMLEY CASTLE

Financial Controller

County Durham **to £30,000 Package**

Lumley Castle is an exciting medieval castle run by a forward thinking and dynamic company.

It has become famous at home and abroad for its luxuriously elegant surroundings, highly acclaimed restaurants and personal service.

Because the hotel is unique in its field, they now seek an exceptional Financial Controller with a charismatic personality, creative vision, strong innovative and commercial abilities and a high degree of ambition and motivation to become actively involved in the further development of the business at all levels.

This is an exclusive opportunity for someone who is already a qualified accountant, currently playing a major role in a successful team, and has already achieved identified objectives.

Prospects will be limited only by the individual's abilities and may include potential partnership in the venture for the right individual.

Interested applicants should write to David Greenwell, quoting ref: NE1955 at Michael Page Finance, 25 Collingwood Street, Newcastle-upon-Tyne NE1 1JE. Tel: 091-222 0545.

MP

Michael Page Finance

International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

Director of Finance

Birmingham c£30,000 + car

A challenging new appointment has been created by our client, a changing and progressive service company in the industrial sector. They are seeking to strengthen their management team with the appointment of a self-motivated and ambitious Director of Finance.

Reporting to the Divisional Managing Director, the appointee will play the major role in contributing to commercial business decisions whilst effecting the decentralisation of management information.

Candidates, probably aged 30-45, will be qualified accountants who can demonstrate sound commercial experience and practical success in planning and managing the finance area in a manufacturing environment. Sound EDP exposure and strong personal attributes are essential to this role.

Interested candidates, who meet these criteria, should send a detailed CV including current salary to David Fyles, quoting reference LM 512 at Spicers Executive Selection, 13 Bruton Street, London W1X 7AH.

SPICERS EXECUTIVE SELECTION
A MEMBER OF SPICER & OPPENHEIM INTERNATIONAL

GROUP FINANCIAL CONTROLLER

S.W. LONDON

TO £30,000 + CAR

OPERATING AT THE forefront of information assignments this management consultancy aims to be a major force in the 1990s. They are now in a position to offer an exceptional opportunity for a highly motivated accountant to take on a role offering long-term growth potential. This position, reporting to the Group Managing Director, is a new appointment and reflects recent rapid growth in this young dynamic organisation.

The person appointed will be responsible for formalising and developing the reporting procedures for the group's worldwide operations. The finance function is highly automated providing the Financial Controller with the information necessary to apply enlighted financial controls. Initial priorities will be the development of sophisticated management information systems. Longer term goals will be the development of budgeting and medium term planning in conjunction with senior management, and the development of external relationships with bankers and investors.

The ideal candidate will be a graduate accountant with post qualification experience in a service environment and who possesses the personal and intellectual qualities to progress in a demanding environment. Travel overseas, primarily to the United States, will be necessary two to three times per year.

Interested candidates should contact Gordon Montgomery. Telephone 01-629 8863 Fax 01-408 0961.

BOND ACCOUNTANCY

RECRUITMENT CONSULTANTS

BOND HOUSE, 19-20 WOODSTOCK ST, LONDON W1R 1HF Tel: 01-629 8863

FINANCIAL DIRECTOR DESIGNATE

C. £30,000 package **London/Essex border**

L&M Food Group is a well established substantial food trading company trading worldwide from prestigious offices in N E London and Minneapolis. The Company has a strong record of profit growth achieved through increased market share and is dedicated to quality, professionalism and service, and demands all these from their Finance Director.

Reporting to the Managing Director, the successful candidate will assume full responsibility for the finance and administration functions of the Company as well as directly monitoring the US office. He/she will also play a key role in the business development of the Group as it moves towards acquisitions and a Stock Exchange listing.

Interested candidates, qualified and under 35 years will be determined and creative self-starters, comfortable with responsibility and with the ability to motivate, lead and inspire confidence.

L&M FOOD GROUP LTD

Please reply in confidence enclosing full CV and details of your current salary to:

Managing Director
L&M Food Group Ltd
454-456 Larkshall Road
London E4 9HH

COMMODITIES AND AGRICULTURE

'Gold loan rush' could turn sour for some

By Kenneth Gooding, Mining Correspondent

THE SUDDEN upsurge in gold loans, with which mining companies raise finance on the basis of future gold production, might soon be followed by unpleasant consequences for some of the banks and other intermediaries involved, analysts were suggesting yesterday.

Attention has been focused on the subject by the recent revelation that Lloyds Bank is to sell off a gold loan, apparently at a loss.

The loan, of 20,544 troy ounces of gold, was made to a small Canadian company, Pacific Trans-Ocean Resources, towards the development of its 50 per cent-owned Ketza River gold mine in the Yukon.

Higher-than-anticipated development costs placed Pacific in grave financial difficulty, with a debt load of C$13m and unable to service the gold loan.

Another Canadian group, Belmoral Mines, stepped in to acquire the Ketza River mine and at the same time arranged to buy the outstanding portion of the gold loan at a substantial discount.

"One bad loan is not going to change the world. But it is one to remember. There will be more. This is the first note in what will be a crescendo," said Mr Rob Weinberg, gold analyst with James Capel, the securities firm, yesterday.

Gold loans first became popular in the mid-1980s as a way for mining companies to raise development cash. Interest in this form of finance increased substantially after the stock markets' collapse in October 1987.

Estimates of the total exposure of lenders of gold to both the gold loan and the forward markets ranges as high as 400 tonnes or nearly 13m ounces, according to Mr Weinberg.

The gold loan system involves a mining company borrowing gold from a bank or banks, selling it for immediate cash and paying back over some years. Both the interest and principal can be repaid in gold.

Interest rates are low, typically 1.5 to 3 per cent, but the attraction for the banks is that they can earn a return on an otherwise non-interest-earning asset.

The growth of the business became so strong that in May last year the Governor of the Bank of England, Mr Robin Leigh-Pemberton, publicly expressed his misgivings about the involvement in gold loans of organisations with little or no understanding of, or previous involvement in, the bullion market.

Mr Leigh-Pemberton said he had no doubt about the ability of the leading bullion houses to assess and manage the risks of gold loans. "But I would be less confident about other intermediaries who may be attracted to this market.

"It would be a matter of regret if such firms were to find themselves unduly exposed and, at the very best, able to meet their commitments only at a substantial and unanticipated loss. The ramifications, particularly if they were to spill over to create potentially disorderly markets, should not be underestimated," he added.

One analyst said yesterday that after the Bank Governor's warning "the quality of banks involved in the gold loan business noticeably improved."

There have been some suggestions that the recent sharp fall in the gold price might be putting new stresses on the system but Mr Robert Guy, chairman of the London Bullion Market Association, pointed out that gold loans were complex arrangements, unlike the simple extension of credit.

Each gold loan was individually tailored and often accompanied by option operations designed to give as much protection as possible to borrowers and lenders from the effects of price volatility. Those involved in the "gold loan rush" would certainly have taken into account the possibility of a fall in the gold price, he said.

However, Capel's Mr Weinberg said: "In gold loans the new entrants may have taken account of the gold price risk but many appeared to overlook the mining risk. And mining is risky, not only for the major and well-capitalised producers, but far more so for the young exploration hopefuls."

Other analysts agreed there was the possibility of a few gold loans going sour because of unexpected geological problems even though the lenders sent independent consultants to look at the mines.

Mr Weinberg also pointed out that gold loans had accelerated the supply of gold to the market and had helped to depress the price; a change in attitude towards such loans might trigger off a reversal of the current downward trend.

"A large borrower of gold might decide to take a capital profit. It may buy back the gold loan cheaper than it was sold and borrow, ostensibly more expensive, paper money instead.

"But it could also be one of these new intermediaries taking a new look at what mining risk really means. It may decide that the predicted return on its gold loans simply does not justify the risk it is taking and call the loan in. Or it may raise the cost of the loan to a level that the borrower finds unacceptable."

The recent fall in the gold price had already been forcing gold miners to shelve projects and had been cutting demand for gold loans.

Mr Weinberg said: "The accelerated supply of gold to the market that has been seen over the recent past will end. And it will do so in an acceleration of demand (for gold bullion) that will come from the very companies that are still expected to increase their supplies, not the opposite."

LARGE GOLD BULLION LOANS

Borrower	Loan value (US$m)	Gold equivalent (troy oz.)	Lender(s)
Newmont Mining (US)	448	1m	A seven-bank consortium, including Bank of Nova Scotia
American Barrick (Canadian)	410 (approx.)	1.05m	Union Bank of Switzerland, Westpac Banking, Royal Bank of Canada
Placer Pacific (Australian, with Canadian parent)	180	400,000	Chase Investment Bank, Chase AMP Capital Markets and seven other banks
Lac Minerals (Canadian)	138.7 (approx.)	350,000	Royal Bank of Canada
American Barrick	122		Toronto Dominion Bank
Placer Pacific and Australian Consolidated Minerals	105		Union Bank of Switzerland
FirstMiss Gold (US)	71.3	150,000	Mase Westpac
Galactic Resources (Canadian) and BP Minerals (US with British parent)	56		N.M. Rothschild & Sons, Mase Westpac and letters of credit from five banks

Source: Metals Economics Group and FT estimates

Indonesian fishing sector wriggles out of its inertia

An industry with great potential is winning the attention it deserves, writes John Murray Brown

SASHIMI IS a shocking price in most of the world's capitals. But in Jakarta it always seems particularly hard to swallow given that the raw fish imported from Japan probably started life in Indonesia's own vast archipelagic waters.

Today Indonesia is embarked on a major overhaul of its fishing industry in a bid to disentangle price snags and raise returns from a sector which, though great in potential, suffers a lack of investment, bad management and just plain neglect.

Indonesian shrimp producers this month entertain the US Food and Drugs Administration with a spread they hope is appetising enough to win clearance for sales to the US.

An inspection tour of selected hatcheries starting this week could well provide Indonesia its US entrée for fresh and fast food shrimp which currently fail to meet FDA health standards.

Tuna is also singled out. Mr Wardoyo, the Fisheries Minister, says all foreign fleets in Indonesia's exclusive economic zone will have to export their catches through domestic ports – a move aimed at boosting export earnings and providing a better inventory of fish stocks.

The regulation will also raise sales from foreign distant-water fleets to the 21 local canneries which have traditionally faced supply shortages. Last November Mantrust, a privately owned Indonesian canner, bought Ralston Purina's subsidiary, Van Camp's Chicken of the Sea, the second largest tuna brand name in the US. The deal gives Mantrust instant shelf-space in the US – the world's largest canned fish market.

The restructuring now under way involves large scale expansion of cannery capacity through both foreign and domestic investment, a rehabilitation of the local fleet and the promotion of smallholder fisheries through bank credit and support from the co-operatives.

Indonesia last year exported 160,000 tonnes of fish products worth $400m; canned products accounted for a mere 7 per cent of the total.

However, the potential is clearly much larger. Indonesia's mangrove swamps, which could be utilised for brackish water shrimp production, cover more than 4m hectares. According to figures from the Fisheries Department, only 300,000 hectares is currently in production.

With the declaration of its exclusive economic zone, Indonesia almost doubled its territorial waters from 3m to 5.8m square miles. Today more than 500 foreign distant-water vessels, the largest number from Taiwan, pay for licences to fish the zone, using so-called American nets for skate and snapper as well as shrimp.

In addition, Indonesia abuts the western Pacific, one of the richest fishing grounds in the world. The region is said to supply between 30 and 40 per cent of the world's tuna harvest, with around 60 foreign purse seiners catching some 300,000 tonnes a year. Industry officials say much of this could be processed in Indonesian canneries.

Transpecha, a French fishing operation, has already established a cannery on the small island of Biak, processing around 25,000 tonnes of tuna for buyers in Europe and the US. The Japanese are also interested in local canning. Fisheries officials confirmed that three companies – Okinawa Kinkai Gyogyo, Japan Royal Intern, and Okinawa Tuna Fisheries Co-operative Associations – plan to set up joint venture canning operations.

Mantrust's project is perhaps the most ambitious, involving some 500 small pole and line boats supplying 10 cold-storage units throughout the eastern archipelago. The company is currently expanding its canning facilities on Bali to 2m cartons a year, or around 30,000 tonnes of processed tuna every month. Mr Tegeoh Soetantyo, Mantrust's chairman, says this is sufficient to maintain Van Camp's share of the US market, leaving enough spare capacity to increase its European sales.

The problems, as ever, are those of supply and quality. According to one trader, poor handling means that more than 10 per cent of domestic fish production is spoiled before it reaches the market.

In some quarters there is also growing concern that Indonesia is too dependent on Japanese demand, particularly for shrimp, a product which accounts for 20 per cent of world trade in fish products. Japan takes 75 per cent of Indonesia's shrimp output.

The long-term challenge is to match the necessary technology to what is still largely a traditional industry. The labour-intensive canning sector is looking at new lower cost technologies, the latest being the move to two-piece cans. Brackish water shrimp cultivation is even more dependent on sophisticated technologies, in areas like water temperature, salinity, and cold storage.

However, the Government's hands are tied by domestic considerations.

For one thing, there are 4m people engaged in the industry using pole and line and rarely venturing more than a few miles from shore. Of the 300,000 boats, fewer than 100,000 are thought to be motorised, although the number is increasing.

More significantly, more than 50 per cent of Indonesia's catch ends up as dried or salted products – an important source of protein on the local market. In recent months local prices have actually been rising steadily, not just in real terms but also against other basic staples like rice, indicating that fish stocks, at least in the territorial waters, may be less abundant than official figures suggest.

In addition, in a controversial move a few years ago, the Government was forced to limit mechanised trawling to beyond the 130 degree line after local fishermen complained at the sharp fall in their catch.

African countries aim to boost coffee quality

AFRICAN COUNTRIES are stepping up production of high quality coffees to meet consumers' needs, according to Mr Arega Worku, secretary general of the Inter-African Coffee Organisation, Reuter reports.

Mr Worku told the US National Coffee Association annual convention in the Florida resort of Boca Raton that consumption of African coffee was recovering in the US market.

Imports of robustas into the US had declined steadily over the past 20 years, Mr Worku said. This was "somewhat disappointing given that Africa is mainly the continent of robustas."

The US imported 2.8m bags of robustas in 1987-88, down from 5.2m bags in 1966-67. "In percentage terms the share of robustas, which was 27 per cent in 1966-67, is now around 16 per cent," Mr Worku said.

"It has been suggested that the difficulties of African origins in the US market are due to the steady preference in favour of high quality coffees (arabicas), delivery problems reflecting shortage of the product, irregularity in supply and uncompetitive terms," he said.

"We intend to ensure regular availability on competitive terms and continue to respond adequately to quality requirements of the consumer and adhere more strictly to the rules laid down by the Food and Drug Administration," he added.

Coffee generates annual earnings of between $2.6bn and $3bn for the African continent and accounts for between 30 and 96 per cent of the foreign exchange earnings of the 10 major African producers.

"Most of the foreign exchange earned is returned to the industrialised nations as payment for necessary imports or to service the continent's debt, currently estimated at $230bn," Mr Worku said.

The renewal of the International Coffee Agreement (ICA), a pact to stabilise world coffee prices which expires on September 30, was critical to Africa's efforts to increase production of quality coffee, he said.

"The only way our farmers can produce high quality coffee is by being assured of remunerative prices. Stable prices will certainly ensure the availability of high quality coffee.

"It is essential for our American colleagues to support this instrument (the ICA) which has provided our farmers with stable revenues and roasters with a steady supply of coffee."

Mr Worku said he supported attempts being made to find practical and pragmatic solutions to defects in the ICA pointed out by consumers, such as sales to non-members at discount prices.

On Monday the board of the National Coffee Association said it opposed renewal of the agreement unless these problems were resolved.

Two weeks ago, Mr Worku said that African coffee producers would not accept a universal export quota system, proposed by European consumers as a way of abolishing cheap sales to non-members of the International Coffee Organisation, the body which administers the ICA.

This week he said he had not yet discussed any alternative proposals with other producers, but was expecting to do so at the next round of ICO talks in London on February 20 to 24.

Colombia's chief coffee official has suggested giving more weight to producer stocks when fixing coffee export quotas to combat two-tier pricing.

"We have been advocating this idea for many years but it was taken seriously in a limited way only two years ago," said Mr Jorge Cardenas, Colombia's National Coffee Federation chief, said in Boca Raton yesterday.

"We are fighting to maintain an international coffee agreement and are looking for solutions," he added. "Creating an incentive for higher quotas through retention should reduce sales to non-members," he said.

"We have started to move the idea and are also eager to see whether Central America, Brazil or Africa have additional ideas."

Ferro-nickel output increase planned

PT ANEKA Tambang, the Indonesian state-owned nickel company, plans to increase production of ferro-nickel this year to 38,000 tonnes from 19,000 tonnes, Mr Ginanjar Kartasasmita, the country's Mines and Energy Minister said yesterday, Reuter reports from Kendari.

Antara, the official Indonesian news agency, quoted him as saying that production would rise with the expansion of a plant in Pomalaa in south-east Sulawesi, and in the long-term would rise to 79,000 tonnes.

Funds for the expansion will come from the company itself and foreign aid, he added, without elaborating.

Nickel deposits in Pomalaa are estimated to total about 37m tonnes.

Mr Ginanjar said Indonesia planned to export a total of 1.8m tonnes of nickel ore, 5,400 tonnes of ferro-nickel and 33,000 tonnes of nickel matte in the 1989-90 financial year, starting in April. That compares with 1.57m, 4,500 and 32,000 tonnes respectively estimated for 1988-89.

He also said that PT International Nickel Indonesia, a subsidiary of Inco of Canada, would expand production capacity as it had overcome technical problems which lowered output projections.

WORLD COMMODITIES PRICES

LONDON MARKETS

Copper regained some lost ground on the London Metal Exchange yesterday, taking its cue from the New York Commodity Exchange (Comex) where prices rose strongly late on Tuesday. Continued strength on Comex could take the LME Grade A copper price higher, traders said, but rallies are expected to become smaller and retracements larger as the year progresses and supply and demand gradually move into balance. Other metals followed copper's lead. Three-month nickel closed $450 up at $18,150 a tonne after light profittaking trimmed the price by $100 from the day's peak. News of a strike at a Peruvian lead/zinc mine contributed to the upward movement in zinc prices. Gold finished lower at $390.50 a troy ounce after trading in a one-dollar range throughout the day in what dealers described as dull conditions.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$14.40-4.50z	-0.05
Brent Blend	$17.00-7.20w	+0.45
W.T.I. (1 pm est)	$17.64-7.69z	+0.14

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$182-185	
Gas Oil	$137-139	-1
Heavy Fuel Oil	$68-70	-0.5
Naphtha	$159-161	-1
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$390.5	-2.25
Silver (per troy oz)♣	586c	-5
Platinum (per troy oz)	$530.25	-1.25
Palladium (per troy oz)	$140.75	-0.25
Aluminium (free market)	$2156	-10
Copper (US Producer)	137⅝-39¼c	-3⅝
Lead (US Producer)	38.5c	
Nickel (free market)	625c	+10
Tin (European free market)	£4437.5	+7.5
Tin (Kuala Lumpur market)	20.51r	
Tin (New York)	353.0c	+1.0
Zinc (US Prime Western)	78¾c	+1⅞
Cattle (live weight)†	107.43p	-1.90*
Sheep (dead weight)†	132.25p	-9.20*
Pigs (live weight)†	79.39p	-1.79*
London daily sugar (raw)	$256.0v	-2.0
London daily sugar (white)	$284.0x	-3.5
Tate and Lyle export price	£256.0	-2.0
Barley (English feed)	£113.5	
Maize (US No. 3 yellow)	£132	
Wheat (US Dark Northern)	£125.75v	+0.25
Rubber (spot)♥	60.25p	-1.00
Rubber (Mar)♥	70.50p	-1.00
Rubber (Apr)♥	71.00p	-1.00
Rubber (KL RSS No 1 Mar)	312.0m	
Coconut oil (Philippines)§	$532.5u	-2.5
Palm Oil (Malaysian)§	$402.5	
Copra (Philippines)§	$370	
Soyabeans (US)	$191x	
Cotton "A" index	£3.35c	-0.25
Wooltops (64s Super)	678p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Mar. w-Feb. v-Apr/May. u-Mar/Apr. q-Apr/Jun. x-Feb/Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Mar	851	843	859 840
May	864	855	875 851
Jul	860	848	872 845
Sep	852	844	860 843
Dec	861	848	872 853
Mar	855	844	863 844
May	858	852	865 855

Turnover:10501 (7210) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb 7: 1114.42 (1103.88):10 day average for Feb 8: 1105.52 (1105.83).

COFFEE £/tonne

	Close	Previous	High/Low
Mar	1188	1180	1192 1185
May	1162	1151	1165 1155
Jly	1148	1135	1155 1144
Sep	1135	1125	1140 1133
Nov	1130	1123	1135 1130
Jan	1128	1121	1130
Mar	1140	1123	1130

Turnover:2912 (1873) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb 7: Comp. daily 122.82 (122.16); . 15 day average 122.54 (122.58).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Mar	229.40	227.20	229.60 223.80
May	235.20	231.00	235.40 227.60
Aug	235.00	230.00	230.00
Oct	232.00	226.60	232.00 226.60
Dec	230.00	224.60	224.00
May	227.00		222.60

White	Close	Previous	High/Low
Mar	288.50	285.00	283.00
May	275.00	273.50	275.00 270.00
Aug	275.50	273.00	274.50 271.50
Oct	266.00	265.00	264.50
Dec	262.50	263.00	

Turnover: Raw 3152 (2142) lots of 50 tonnes. White 1246 (1230).
Paris- White (FFr per tonne): Mar 1785, May 1740, Aug 1740, Oct 1690, Dec 1675, Mar 1656

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
2100	165	159	9	58
2200	90	104	33	102
2300	40	64	82	160

Copper (Grade A)	Calls		Puts	
2900	202	184	39	165
3100	87	105	123	282
3300	28	56	263	429

WOOL

CONTINUING STRENGTH in the Australian dollar is again the crucial market feature. As any stocks bought more cheaply were absorbed, the currency effect was increasingly felt. Prices are therefore quite often on a higher basis this week despite an Australian market which is no more than steady. The pressures are not only felt in the UK, and the fact that wool values are no longer rising is believed to be due to world-wide resistance, since the rate against the U.S. dollar means higher costs to those countries tied to this currency. Very little business is indicated on the Bradford market. Prices quoted for tops vary widely between different firms but 690 p/kg is a middle level for 64s super, and 470p for 58s super.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 14,900 tonne
Cash	2245-50	2185-90		2250-60		
3 months	2210-3	2153-9	2220/2195	2215-20	2200-5	26,777 lots
Copper, Grade A (£ per tonne)						Ring turnover 43,000 tonne
Cash	1775-8	1703-5	1785/1768	1781-3		
3 months	1705-6	1649-50	1709/1680	1703-4	1704-5	65,647 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	585-7	587-9	582	582-3		
3 months	597-600	600-2		595-7		356 lots
Lead (£ per tonne)						Ring turnover 8,950 tonne
Cash	362.5-3	359.5-61	362.5/360	363-3.5		
3 months	365-7	364.5-65	368/365	366.5-7	366-7	9,510 lots
Nickel ($ per tonne)						Ring turnover 2,520 tonne
Cash	18300-500	18050-150	18700/18300	18300-500		
3 months	18100-200	17650-750	18250/17800	18150-250	18000-100	8,314 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 5,200 tonne
Cash	1905-10	1835-43	1910/1830	1905-10		
3 months	1845-50	1783-7	1860/1815	1840-5	1835-50	4,219 lots
Zinc ($ per tonne)						Ring turnover 9,275 tonne
Cash	1820-5	1755-60	1805	1805-10		
3 months	1755-60	1712-3	1760/735	1747-50	1755-8	11,934 lots

POTATOES £/tonne

	Close	Previous	High/Low
Apr	70.5	71.6	71.1 69.8
May	85.3	86.0	85.5 84.2
Nov	89.5	90.0	89.0 88.0
Feb	102.0	102.0	

Turnover 172 (271) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Apr	156.50	161.00	160.00 156.50
Jun	152.50	152.50	152.50

Turnover 121 (156) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Feb	1515	1439	1515 1488
Mar	1570	1548	1570 1532
Apr	1597	1520	1587 1562
Jul	1428	1404	1428 1395
Oct	1553	1540	1553 1428
Jan	1575	1555	1575 1550
Apr	1623	1600	1623 1623
BFI	1533	1542	

Turnover 552 (844)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Mar	111.75	111.65	111.75 111.70
May	115.60	115.65	115.60 115.50
Jun	117.30	117.45	117.30 117.25
Sep	103.05	103.00	103.05 103.00
Nov	105.50	105.50	105.50
Jan	109.00	109.00	109.00
Mar	111.90	112.10	112.10 111.90

Barley	Close	Previous	High/Low
Mar	109.45	109.75	109.75 109.45
May	111.45	111.75	111.75 111.45
Sep	100.10	100.00	100.10
Nov	103.30	103.15	103.30

Turnover: Wheat 122 (196) , Barley 160 (50) .
Turnover lots of 100 tonnes.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	390¼-390¾	224-224½
Opening	390¾-391¼	224½-225
Morning fix	390.40	224.110
Afternoon fix	390.55	224.093
Day's high	390¾-391¼	
Day's low	390-390½	

Coins	$ price	£ equivalent
Mapleleaf	402-407	230½-233½
Britannia	402-407	230½-233½
US Eagle	402-407	230½-233½
Angel	402-407	230½-233½
Krugerrand	389-392	223-225
New Sov.	91¾-92¾	52½-53¼
Old Sov.	91¾-92¾	52½-53¼
Noble Plat	535.90-544.85	307.80-312.95

Silver fix	p/fine oz	US cts equiv
Spot	337.40	587.75
3 months	348.05	601.50
6 months	358.35	616.55
12 months	378.55	645.25

CRUDE OIL $/barrel

	Close	Previous	High/Low
Mar	16.18	15.99	16.22 16.00
Apr	15.72	15.60	15.75 15.61
IPE Index	15.98	15.98	

Turnover: 3706 (5033)

GAS OIL $/tonne

	Close	Previous	High/Low
Feb	140.50	139.25	140.50 138.75
Mar	139.75	138.50	140.50 138.75
Apr	137.25	136.50	138.50 137.00
May	135.25	134.00	136.25 135.00
Jun	133.00	132.50	134.50 133.00
Jul	134.00	133.25	134.00

Turnover 7450 (12668)lots of 100 tonnes

US MARKETS

IN ACTIVE LATE trading, coffee futures fell sharply as a combination of trade selling of the March/May spread and price-fix selling touched-off commission house stops, reports Drexel Burnham Lambert. On the close, profittaking pared losses slightly. In cocoa futures, trade liquidation in the March contract saw that month lower, but the forward contracts remained firm reflecting strength in the London market. Sugar featured trade buying at the lows which prompted commission house buying before scale-up profittaking by the trade stemmed the advance. Cattle futures eased as liquidation emerged following publication of the USDA inventory report which was, as expected, constructive. Pork belly futures were lower on a combination of slow demand and reports indicating record storage levels. Live hogs, on the other hand, were firm as the effects of the severe cold weather firmed the cash market and reduced hog runs. Wheat was firm on confirmation that both China and the Soviet Union had bought Argentinian wheat and that the Soviet Union had tendered for U.S. wheat. Cash weakness in the soyabean meal led to professional selling.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Feb	396.2	392.3	396.5	391.8
Mar	397.4	393.8	0	0
Apr	399.1	395.5	399.5	394.7
Jun	404.1	400.5	404.5	399.8
Aug	409.5	405.9	409.8	405.3
Oct	415.0	411.4	0	0
Dec	420.5	416.9	421.0	416.8
Feb	396.2	392.3	396.5	391.8
Apr	431.8	428.1	428.5	428.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Mar	538.8	531.6	0	0
Apr	540.1	531.9	544.0	530.0
Jul	537.1	529.1	540.0	528.0
Oct	536.6	528.6	535.0	529.5
Jan	537.6	529.6	0	0
Apr	540.6	532.6	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Feb	591.7	585.8	587.0	587.0
Mar	594.5	589.0	595.5	589.0
Apr	599.5	594.0	598.0	596.0
May	604.7	599.2	605.5	599.0
Jul	615.3	609.7	618.0	609.5
Sep	625.5	619.9	0	0
Dec	640.4	634.8	640.0	636.5
Jan	644.8	639.2	0	0
Mar	655.3	649.7	653.0	653.0
May	665.7	660.0	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	135.75	133.50	136.00	135.80
Mar	134.00	131.50	134.45	132.70
Apr	129.15	126.75	0	0
May	126.90	124.75	127.00	125.70
Jul	119.90	118.20	120.25	119.00
Sep	115.90	114.95	116.80	115.50
Dec	112.40	112.20	113.50	112.70

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Mar	17.63	17.70	17.70	17.56
Apr	17.18	17.21	17.21	17.08
May	16.88	16.90	16.90	16.78
Jun	16.59	16.61	16.62	16.51
Jul	16.35	16.37	16.36	16.25
Aug	16.13	16.16	16.15	16.07
Sep	15.98	16.00	16.03	15.95
Oct	15.91	15.91	15.91	15.90
Nov	15.87	15.86	15.87	15.83
Dec	15.75	15.81	15.85	15.80

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Mar	4910	4967	5015	4905
Apr	4720	4752	4780	4720
May	4540	4532	4570	4525
Jun	4435	4419	4450	4425
Jul	4395	4369	4400	4380
Aug	4440	4414	4440	4435
Sep	4495	4479	4495	4475

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1498	1509	1530	1485
May	1449	1430	1463	1436
Jul	1406	1390	1420	1400
Sep	1386	1370	1398	1380
Dec	1371	1350	1376	1368
Mar	1360	1346	1369	1365

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	138.83	141.34	145.50	138.25
May	130.94	133.84	137.00	130.25
Jul	128.00	131.59	133.00	127.00
Sep	124.77	128.75	130.00	124.00
Dec	120.74	126.49	128.50	120.49
Mar	121.00	127.00	125.45	124.90
May	118.88	124.88	0	0
Jul	117.83	123.83	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	10.28	10.22	10.38	10.02
May	10.44	10.26	10.48	10.13
Jul	10.46	10.22	10.47	10.10
Oct	10.33	10.08	10.35	9.96
Jan	9.90	9.65	0	0
Mar	10.11	9.88	10.14	9.81
May	10.13	9.85	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	59.39	59.43	59.60	59.06
May	59.76	59.87	59.95	59.43
Jul	59.80	58.75	59.90	59.50
Oct	58.80	58.75	58.85	58.85
Dec	58.70	58.75	58.80	58.55
Mar	58.80	58.65	0	0
May	59.20	59.15	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	138.60	136.00	139.00	138.50
May	136.80	134.30	137.10	134.40
Jul	136.50	133.50	136.70	133.95
Sep	136.30	133.20	136.30	133.55
Nov	133.10	129.75	133.00	131.00
Jan	130.95	128.70	129.50	129.50
Mar	130.40	127.70	0	0
May	130.40	127.70	0	0
Jul	130.40	127.70	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Feb 7	Feb 6	mnth ago	yr ago
1967.5	1968.1	1987.4	1745.5

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	136.40	136.74	143.89	128.40
Futures	136.87	138.27	145.90	138.19

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	746/0	757/4	759/0	741/4
May	757/0	768/0	769/4	752/0
Jul	762/6	774/0	775/0	759/0
Aug	759/0	770/0	769/0	753/0
Sep	733/4	744/0	744/0	732/0
Nov	718/4	727/6	728/0	715/4
Jan	724/6	735/0	733/0	723/4
Mar	730/0	741/0	735/0	730/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	21.50	21.57	21.95	21.50
May	22.01	22.21	22.47	22.01
Jul	22.52	22.70	22.95	22.52
Aug	22.74	22.92	23.10	22.74
Sep	22.97	23.15	23.25	22.95
Oct	23.10	23.25	23.40	23.10
Dec	23.30	23.45	23.70	23.30
Jan	23.40	23.65	23.70	23.40
Mar	23.40	23.56	23.35	23.45

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	238.6	242.6	242.0	236.5
May	237.5	240.1	240.7	235.1
Jul	234.5	237.7	237.8	232.2
Aug	231.5	235.0	236.0	230.0
Sep	226.0	230.0	229.0	225.0
Oct	220.5	223.0	223.0	218.5
Dec	217.5	220.5	221.0	217.1
Jan	217.9	221.0	217.8	218.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	264/6	267/6	268/4	263/0
May	271/2	274/2	275/2	269/4
Jul	275/0	278/0	279/2	273/2
Sep	269/4	270/6	273/2	267/6
Dec	268/4	270/4	272/2	265/2
Mar	275/2	277/0	278/0	272/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	428/2	427/2	431/4	426/4
May	427/0	426/0	429/4	426/0
Jul	407/2	406/2	409/4	405/4
Sep	412/4	412/0	414/2	411/4
Dec	424/0	423/0	424/6	421/4
Mar	425/6	426/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	75.37	75.67	75.65	75.35
Apr	76.72	76.70	76.97	76.60
Jun	75.55	75.67	75.75	75.50
Aug	73.67	73.57	73.80	73.55
Sep	73.15	73.00	73.15	73.15
Oct	72.62	72.57	72.87	72.57
Dec	73.90	73.75	73.95	73.75
Feb	73.70	73.30	73.70	73.60

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	42.60	42.30	42.85	42.52
Apr	42.30	41.65	42.40	41.90
Jun	47.32	46.97	47.52	47.10
Jul	47.62	47.37	47.75	47.42
Aug	46.90	46.82	47.05	46.45
Oct	44.05	43.95	44.30	43.80
Dec	45.75	45.35	45.80	45.47
Feb	46.40	46.65	46.70	46.40

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	38.30	39.60	38.80	38.25
Mar	38.32	38.30	38.70	38.00
May	39.17	39.55	39.70	39.05
Jul	39.97	40.45	40.70	39.90
Aug	39.30	39.65	40.40	39.55
Feb	53.97	54.40	54.40	53.10

LONDON STOCK EXCHANGE

Equities checked at FT-SE 2,106

UK EQUITIES continued to move ahead yesterday in the wake of markets in the US and Japan, encouraged also by renewed demand for blue chip stocks from some UK fund managers still underweighted in the London equity market. Wall Street exercised its newly-revived sway over London, which showed a gain of more than 33 points in late afternoon when the New York market opened with another sharp rise. In later dealings, London paid the price for its slavish pursuit of Wall Street, slipping back from the FT-SE 2,100 area as Wall Street also fought to hold on to a significant chart level.

Account Dealing Dates

*First Dealings:	Jan 30	Feb 13	Feb 27
Option Declarations:	Feb 9	Feb 23	Mar 9
Last Dealings:	Feb 10	Feb 24	Mar 10
Account Day:	Feb 20	Mar 6	Mar 20

*New time dealings may take place from 9.00 am two business days earlier.

At the close, the FT-SE Index was 23.4 up at 2096.2, having touched 2106.1 earlier. The failure to hold above FT-SE 2,100 was mirrored in the struggle by the Dow Industrial Average to hold at 2,350 in early trading in New York, "both represent important testing levels," commented Mr Robin Aspinall of Schroder Securities.

Seaq trading volume increased sharply towards the close, bringing a total of 530.9m shares, not far behind recent record totals. To some traders, the late activity suggested that profits were being taken and that some market makers were beginning to 'trim their books' ahead of the new trading Account. From today, equity deals may be struck for the new Account at a premium price. More important, however, will be changes in equity reporting coming into force on Monday. Large equity deals – above £100,000, – will no longer be reported immediately on the Seaq screens and market makers will not be obliged to deal at their Seaq screen quotations with fellow market makers.

London made a strong start, with buyers clearly unwilling to be left behind again as New York and Tokyo repeated their strong overnight performances. The Footsie Index was 24 points up at its first calculation, and the 2,100 mark was soon challenged, but not broken, as the running was again taken up by ICI and Glaxo and their kindred international issues. A handful of small buy/sell trading programmes worked through the market.

The consensus view of the City strategists seemed to be "stand by for a correction, but not yet." County NatWest, one of the major UK securities houses, has raised its year-end target from FT-SE 2,100 to 2,300, agreeing with many others that, "there is still a considerable amount of domestic and overseas money" waiting to be allocated to UK equities.

However, a correction is widely considered likely in the near term, with the progress of the US economy an important factor in view of the recent US employment data which has raised fears of a tightening in Federal Reserve credit policies. London will watch Wall Street's overnight progress with more than usual interest.

FINANCIAL TIMES STOCK INDICES

	Feb. 8	Feb. 7	Feb. 6	Feb. 3	Feb. 2	Year Ago	1988/89 High	1988/89 Low	Since Compilation High	Since Compilation Low
Government Secs	89.29	88.88	89.00	88.92	88.87	88.63	91.43 (18/4/88)	86.18 (14/12/88)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.18	97.08	97.63	97.45	97.10	94.92	98.67 (25/5/88)	94.14 (8/1/88)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1714.7	1694.9	1688.2	1689.0	1667.8	1368.4	1714.7 (8/2/89)	1349.0 (8/2/88)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	168.2	165.8	165.3	168.9	167.1	259.0	312.5 (7/1/88)	160.7 (3/1/89)	734.7 (15/2/83)	43.5 (26/10/71)

	Feb. 8	Feb. 7	Feb. 6	Feb. 3	Feb. 2	Year Ago
Ord. Dl. Yield	4.25	4.31	4.38	4.34	4.39	4.55
Earning Yld %(full)	10.66	10.80	10.88	10.87	11.00	11.48
P/E Ratio(Net)(☆)	11.39	11.23	11.05	11.17	11.03	10.64
SEAQ Bargains(5pm)	43,973	33,153	40,423	40,053	32,162	20,733
Equity Turnover(£m)†	-	1250.67	1051.03	1424.67	1607.74	928.83
Equity Bargains†	-	38,322	46,400	41,223	42,583	24,187
Shares Traded (ml)†	-	518.7	454.0	611.1	654.0	332.0

Ordinary Share Index, Hourly changes

●Opening	●10 a.m.	●11 a.m.	●12 p.m.	●1 p.m.	●2 p.m.	●3 p.m.	●4 p.m.
1715.0	1716.2	1710.7	1715.0	1715.9	1719.2	1721.2	1713.5

DAY'S HIGH 1723.9 DAY'S LOW 1710.2

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, ☆Nil 11.32 †Excluding intra-market business.

● S.E. ACTIVITY

Indices	Feb.7	Feb.6
Gilt Edged Bargains	91.8	93.5
Equity Bargains	240.3	300.7
Equity Value	2527.9	2124.4
5–Day average		
Gilt Edged Bargains	100.4	103.7
Equity Bargains	235.3	315.8
Equity Value	2801.8	3163.9

● London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

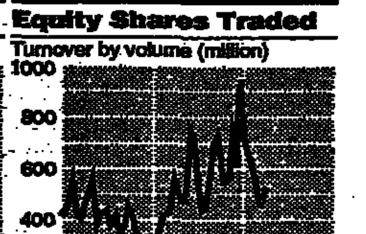
Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	3,400	155		Commercial Union	2,400	398	+5	Land Securities	2,000	600	+12	Rothmans	323	516	+5
Allied-Lyons	3,400	483	+2	Cons. Gold Fields	1,800	1442	+5	Laporte	990	434	+7	Royal Bk Scotland	1,300	416	+13
Amstrad	8,000	174	+9	Cookson	3,000	334	+14	Legal & General	961	342	+6	Royal Insurance	3,900	443	-2
Argyll Group	4,200	198	+2	Courtaulds	1,800	314	+1½	Lloyds Bank	3,100	387	+9	STC	2,560	334	+6
Ass. Brit. Foods	1,100	355	+1	Dalgety	2,900	358	+1	LASMO	1,400	498	-3	Saatchi & Saatchi	1,470	421	
BAA	2,800	319	+8	Dixons	8,000	163	-1	Lonrho	7,100	351	+10	Sainsbury	1,900	235	+3½
BAT	5,995	568	+10	Eng. China Clays	1,100	515	+11	Lucas	855	657	+12	Scott & Newcastle	946	422	-7
BET	3,000	265	+5	Enterprise Oil	742	536	-1	MB Group	870	294	-3	Sears	6,500	125	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Blue Arrow	17,000	98	-1	Granada	1,100	380	-1	Pearl	896	437	+5	TSB	9,975	133½	+8
Blue Circle	1,900	500	+9½	Grand Met.	4,300	531	+9	P&O	2,600	662	+14	Tarmac	3,100	285	+7
Boots	2,400	266	+5	GUS A	499	1158	+20	Pilkington	4,480	250	+5	Tate & Lyle	3,500	250	+5
British Airways	3,707	201	+1	GRE	892	213½	+½	Plessey	1,400	248	+½	Tesco	3,500	160	+1
Brit. Aerospace	3,106	540	+2	GKN	2,800	369	+3½	Polly Peck	1,800	327	+7	THORN EMI	3,300	718	-10
Brit & Comm	4,700	241	+5	Guinness	2,199	397	+3	Prudential	7,044	178	-1	Trafalgar House	5,100	345	+8
British Gas	11,997	184½	+2	Hammerson 'A'	360	827	+2	Racal	5,700	353	+5	Trusthouse Forte	11,001	282	+1
British Land	1,950	374	+7	Hanson	14,996	183¼	+3½	Rank Org.	824	890	+20	Ultramar	4,500	312	-3½
BP	2,988	275	+1	Harrisons & Cros.	598	734	+30	RMC	340	611	+9	Unilever	1,600	547	+6
British Steel	21,978	78½	-½	Hawker Siddeley	1,400	642	+4	RHM	831	399½	-4½	United Biscuits	1,030	331	-½
British Telecom	3,200	281	+½	Hillsdown Hldgs.	2,575	291	+5	Reckitt & Colman	422	1084	+21	Utd. Newspapers	1,900	463	+9
Burmah Oil	2,080	548	-6	IMI	603	237	+1	Redland	856	502	+8	Wellcome	866	509	+5
Burton	7,300	220	+7	Imp. Chem.	2,500	1227	+20	Reed International	2,500	460	+5	Whitbread 'A'	1,000	344	+1
Cable & Wireless	2,480	440	-4	Inchcape	1,701	251	+12	Reuters 'B'	941	627	-3	Williams Hldgs.	723	284	+5
Cadbury Schweppes	3,100	369	+6	Jaguar	3,400	327	+5	RTZ	3,000	525	+7	Wimpey	4,350	295	+4
Coats Viyella	2,200	164	-1½	Ladbroke	2,800	530	+16	Rolls Royce	8,900	162		Woolworth Hldgs.	704	287	+5

Agency leader debate

FT-A All-Share Index

Equity Shares Traded

Turnover by volume (million)



Investors seemed to take sides yesterday over agency leader Blue Arrow, and this caused bouts of heavy trading without disturbing the share price to any great extent. After Tuesday's preliminary statement, which dashed speculation of possible disposals, some analysts were prepared to give Mr Mitch Fromstein, the new chief executive, the benefit of doubts over prospects for the group.

Others took the view that the shares were standing at an undeserved premium to the market and similar competitors. Mr Andrew Mills of BZW, one of several researchers to slash future profit projections, issued a "sell" notice immediately. Blue Arrow operates in the highly cyclical employment services market which has been slowed down by higher interest rates, he commented, cutting his 1989 profit estimate from £102m to £84m.

Citicorp Scrimgeour Vickers analyst, Ms Rebecca Munns, had already advised clients to sell into strength before Tuesday's annual results. "Investors should keep away in the short-term", warned Ms Munns, who has lowered her forecast to £85m.

The trading scenario was further complicated when the marketmaking arm of UBS Phillips & Drew suddenly changed the screen size of the number of shares it was prepared to offer or bid from 5,000 to 500,000, more than double that of its rivals. Turnover eventually reached 17m shares, although the price closed only a penny easier at 90p.

Composite action

Activity in the composite insurance arena was centred on the two companies, Commercial Union and Royal Insurance, where Adelaide Steamship, the Australian company run by John Spalvins, has significant share stakes.

Dealers said there was persistent and sizeable selling of Royal Insurance shares by one securities house thought to have acted for the Spalvins interests when the Royals share stake was being accumulated before the steep fall in the market in October 1987.

The shareholdings were last revealed as being 8.03 per cent in Commercial Union and around 7.8 per cent in Royals, with the stake in the former increased at the end of January. The aggressive selling of Royals and keen interest in Commercial Union was interpreted by traders as suggesting the Adsteam holding in Commercial was being increased again at the expense of the Royals holding. CU shares moved up 5 to 398p on turnover on 2.4m while those of Royals retreated to 443p on turnover of 3.9m.

French speculation

Speculation in the insurance sector that French group Union Assurance de Paris had been back into the market buying shares in leading UK life group focussed attention on Sun Life where the French group last year acquired a sizeable stake in the company, subsequently boosting it to the recently-announced level of 19.24 per cent.

Although turnover in Sun Life was at minimal levels yesterday, dealers took the view that the French group had definitely been back in the market recently and that an announcement of an increase in its holding is imminent.

Dealers said the share stake could well have been increased by around 1 per cent or perhaps more. Sun Life shares made strong progress throughout the day and settled a net 30 higher at 1030p.

Further support from the UK investment institutions took ICI up 20 to break through the £12 mark for a close of 1227p, indicating both the continued demand for the market leaders and also the approach of the chemical group's 1988 results, due a week next Wednesday. ICI shares have tracked the market upturn almost exactly since the beginning of January, to show a gain of around 1 per cent for the month and 6 per cent for the past six months. Some analysts doubt if the shares can outperform in the near term. Mr Mike Lewis of Hoare Govett, predicting that ICI will turn in a 13 per cent gain in profits to £1.48m for 1988, believes that the stock will find difficulty in breaking out of its current trading range.

The international stocks continued to lead the market, but closed off the top as Wall Street stumbled in early deals. Once again, Glaxo found ready support, closing a further 18 to the good at 1287p. Beecham, still active with 5.8m shares traded, closed 14 higher at 586p.2m, while Fisons, still benefiting from relaxing tensions over Lyphomed's progress towards aerosolised anti-Aids treatment, added 4 to 285p.

Burton were once again the highlight of a weak Stores sector, the shares closing 7 firmer at 220p on impressive turnover of 7.3m in the wake of a number of recent bullish analysts' circulars. The second most active stock was Sears, which ended steady at 125p as 6.5m shares changed hands, while Storehouse were also busily traded, finishing a penny easier at 191p on volume of 3.6m.

GUS showed signs of running out of their early week form, the "A" shares rising just 10 to 1158p, after 1163p. Ward White and Woolworth, two diy-related stocks, returned to strength after recent weakness, the former adding 7 at 249p and the latter 5 at 290p. Among those to close easier were John Menzies, the newsagents group which ran into concerted profit-taking and closed 8 lower at 346p, Dixons, a penny lighter at 163p as bid interest waned, and Next, still unpopular with the analysts, 1 off the day's opening at 149p.

The front-line electronics issues ran into profit-taking -"we've tended to overperform on the way up so we are taking a breather relative to the market," said one trader.

Amstrad confounded the bears as the shares spiralled upwards to close 9 higher at 174p on turnover of 8m ahead of next week's interim figures which are expected to come out between £75m to £80m.

A stock shortage was said to have been responsible for the latest upturn in the Racal twins, with Telecom up 8 at 283p and Electronics 5 firmer at 353p. There was a big seller about in Ferranti which underperformed the market and settled 1¼ off at 106p on 3.9m.

GEC edged up 1⅛ to 248p and Plessey to 248p on 1.4m with the market sensing that GEC/Siemens may well up its offer for Plessey if it gets the expected go-ahead from the MMC to renew the joint offer.

The agreed bid from P & P saw Personal Computer leap 82 to 222p, while speculation of a possible 240p a share offer from Pilkington or Thomson CSF of France pushed United Scientific up 9 more to 213p. VG Instruments jumped 30 to 297p amid hints that BAT Industries may well be considering selling on its 70 per cent stake in the company.

A downgrading by Warburg Securities – to £285m for the current year and £335m for the following year – unsettled Thorn EMI which slipped 10 to 718p.

Elders IXL bid target Scottish & Newcastle dropped sharply against the trend and closed 7 easier at 422p as a short 1m shares changed hands. Profit-taking was mostly to blame for the sharp fall, said dealers, with investors taking their money as the S&N price moved further above the 400p first offered by Elders. The market expects Elders to come in with a new offer around 450p for the UK brewer if the Monopolies and Mergers Commission clears the bid next month. "As S&N nears 450p shareholders will increasingly be tempted to take profits immediately rather than wait for a new bid," explained one analyst.

Foods were quite actively traded, with a string of stocks seeing volume around 3m shares. Tate & Lyle was one of the busiest, climbing 5 to 250p on turnover of 3.5m shares as BZW increased its profits forecast for the sugar group by £10m to £180m for year-end 1989, and by £4m to £199m for 1990. "Recent outperformance *after a positive agm statement* leaves the shares looking fairly valued on fundamentals," said BZW.

Bridon advanced sharply, gaining 13 to 198p as analysts began to upgrade the stock following the proposed demerger of its TWIL interests. The group will receive £25m, three TWIL subsidiaries plus tax credits in return for its 40 per cent stake. Fresh whispers of expansion by acquisition lifted Rank Organisation 20 to 890p *while revived bid speculation* lifted English China Clays 11 to 515p.

Still reflecting the property revaluation surplus, Manchester Ship Canal rose 1¾ to £21 while comment on Tuesday's good annual figures raised Securicor 20 further to 580p. ADT, strong recommended by Shearson Lehman Hutton, went higher to 138p and TT Group vaulted 22 to 242p.

Thomson T-Line eased as the board capitulated, recommending acceptance of the Ladbroke offer of 90p a share. Hanson noted the announcement and later reported the sale of its holding of 8.5m Thomson shares (5 per cent).

Japanese buying took Trafalgar House up 8 to 345p in the wake of a seminar at Nikko Securities on construction business prospects in London.

Continuing stories that United Newspapers had disposed of its Fleet Street property for around £80m put the shares up 9 further to 463p. Other newspaper issues also moved into higher ground.

Properties returned to favour after recent lacklustre performances, with leaders MEPC and Land Securities climbing 9 to 583p and 12 to 600p respectively. Developers were particularly keenly sought, as Rosehaugh jumped 25 to 567p and Frogmore Estates 13¼ to 511½p. P & O moved up with the sector, adding 14 at 662p. Control Securities firmed 2½ to 52p in the wake of further acqusitions of public houses from Brent Walker.

A timely reminder from Mr Robert Sassoon of County NatWest WoodMac to accumulate Harrisons & Crosfield ahead of the annual results, expected in May, found Overseas Traders generally responsive. Following a recent visit, Mr Sassoon has trimmed his estimate of group profits to £123m but he sees no need to alter the earnings forecast and expects growth in excess of 30 per cent. Demand for Harrisons & Crosfield shares, up 30 at 734p, aroused good support of Inchcape, 12 higher at 251p, and Lonrho, which ended 10 better at 351p.

The oil team at Shearson Lehman Hutton is taking a very positive stance on Sovereign Oil, shares of which jumped to 180p before settling a net 3 higher at 177p. Labelling Sovereign a "buy" Shearson's Mr Peter Hitchens says the company is "moving into a growth phase" and that there is "scope for upward revision of asset value as recoverable reserves on Claymore and Emerald are expected to be upgraded in the near future." *Mr Hitchens also says Finnish* group Neste Oy's intentions, in building up a 29.9 per cent stake are far from certain.

Burmah, one of the energy sector's best performers in recent weeks, took a tumble, closing 6 off at 548p after BZW told clients to "lighten their holdings." BZW says hopes of a bid for the group from Pennzoil have faded after the US company took a 9 per cent stake in gas company Burlington Resources.

BP improved with the old edging ahead to 275p, boosted by Citicorp Scrimgeour Vickers whose oil team says "recent profit downgradings for BP are now in the market and on relative yield considerations we think there is scope for 5 per cent or so appreciation in BP against Shell.

GEC led the field in traded *options on 3,883 contracts* – almost entirely calls and largely taking-up of positions, particularly in the April 200s and 220s. British Petroleum and TSB also figured strongly. Overall dealings came to 53,415 contracts.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 25

NEW HIGHS AND LOWS FOR 1988/89

NEW HIGHS (352).
BRITISH FUNDS (16) AMERICANS (15) CANADIANS (2) Can. Imp. Bank, Trans. Can. Pipe, BANKS (10) BREWERS (5) Clark (M.), Grand Met., Gn. Whitley 5.85pc Prf., Greene King, Marston Thompson, BUILDINGS (14) CHEMICALS (9) STORES (3) Gus "A", Ltd. Inc., Wyevale Garden Centres, ELECTRICALS (18) ENGINEERING (22) FOODS (9) HOTELS (2) Ladbroke, Resort Hotels, INDUSTRIALS (62) AGA AB, AMI Health, Avis Europe, BBA, Do. 6.7pc Cv. Pf., BOC, BSS, BTR, Do. Wrrnts., Barry Wehmiller, Bowater Inds., Brammer, Bridon, Brit. Aerospace, Brooks Serv., Brown & Tawse, Charter Cons., Chieftain, Christies Intl., Darby, Dauphin, Dawsongroup, Elsco, Embart, Eurotunnel Units, Do. Wrrnts., Fenner (J.H.), Gestetner, Grafton, Grampian, Helma, Hampson Inds., Do. 8.5pc Prf., Handley-Walker, Hanson, Do. 5.75pc Cv. Pf., Johnson Cleaners, Macfarlane, Morgan Crucible, Norfolk House, Nu-Swift, Porter Chadburn, Rank Org., Reckitt & Colman, Sale Tilney, Scapa, Securicor Grp., Security Servs., Serco, Shanks & McEwan, Siebe, Smiths Inds., Sthn. Business, Spandex, Stormguard, T & N, Unilever, Wartsila, Whatman Reeve, Wilkes (J.), Williams 8pc Cv. Pf., Wyko, INSURANCE (5) Heath (C.E.), Refuge, Sedgwick, Taisho, Trade Indemnity, LEISURE (5) MOTORS (4) Gen. Motors, Airflow Strm., Lucas Inds., Western Motors, NEWSPAPERS (3) PAPERS (5) PROPERTY (6) SHIPPING (4) TOBACCOS (1) Rothmans, TRUSTS (116) OILS (1) Calm Eng., OVERSEAS TRADERS (2) PLANTATIONS (1) Williamson, MINES (2) Meekatharra, Young Grp., THIRD MARKET (1) Beckenham.
NEW LOWS (10).
ELECTRICALS (1) Cray Elect. INDUSTRIALS (2) Kingsgrange, Sharp & Law, LEISURE (1) McInerra Visions, NEWSPAPERS (1) EW Fact, MINES (5) Ventersport, Western Areas, Aquarius Expl., Paragon Res., West Coast.

APPOINTMENTS

Satellite TV sports chief

Mr Bryan Cowgill, former managing director of Thames Television, has been appointed managing director of CHAMPION TELEVISION, which will provide sports programming for British Satellite Broadcasting. More recently known as the person brought in by Robert Maxwell to rescue the Commonwealth Games, and described as "the man who shaped sport for television in Britain and set a standard for the rest of the world" Bryan Cowgill has over 35 years' experience in television production, direction and management. He began his TV career with the BBC in the early 1950s as a producer and director of sports programmes such as "Sportsview," and was the first producer/director on "Grandstand" when it began over 30 years ago. Champion Television is the UK subsidiary of Trans World International. A subsidiary of Mark McCormack's International Management Group, TWI produces TV sports programmes worldwide. It won a £155m contract from BSB to provide 13 hours of sports coverage every day for five years.

■ Mr J. Butterfield has become chairman of PLATON INTERNATIONAL; Mr A.D. Vigar remains chief executive; Mr M.C.G. Drury and Mr D.A. Wooler have been appointed to the board. Mr B.J. Collier, Mr R.E. Fischbacher and Mr J.E. Steward have resigned as directors, but Mr Steward continues as company secretary.

■ Mr E.A. (Ted) Croker has been appointed chairman of specialist publisher HARRINGTON KILBRIDE & PARTNERS. He was chief executive and general secretary of the Football Association.

■ Appointed directors of WILLIS FABER & DUMAS are: Mr Nicholas Davenport, Mr Colin Farby, Mr Paul Hastings, Mr Alan Hedgecock, Mr Christopher London, Mr Alan Milsom, Mr Edward Moss, and Mr John Sanderson.

■ Mr Paul Fitzgerald has been appointed finance director, Mr Adrian Palmer becomes sales and marketing director, and Mr Barry Everett after sales director at SEAT UK.

■ Mr A.L. Kingshott, director of the international banking division of Lloyds Bank, has been appointed to the board of the CROWN AGENTS.

■ BRENNTAG (U.K.) has appointed Mr Edward F. Guyver as its finance director.

■ Mr Peter Hogg, deputy managing director of PROVIDENT FINANCIAL GROUP, has been appointed chairman of Erringham Holdings, a hire purchase company recently acquired by Provident. Mr Roger Cummings, managing director of the People's Bank, has also joined the board. Mr Cummings also becomes chairman of Lynn Regis Finance, Erringham's trading company, and Mr Paul Newton, finance director of the People's Bank, joins the board.

New chairman at Westland

Sir John Cuckney bowed out as chairman of WESTLAND, the British helicopter company, yesterday (as expected) at the conclusion of the company's annual meeting, *writes Clare Pearson.* At the meeting, there were words of praise from shareholders for his contribution during the 3½ years of his tenure. He is succeeded by Sir Leslie Fletcher, 66, who was appointed joint deputy chairman last September. Sir Leslie is also deputy chairman of Standard Chartered and chairman of Standard Chartered Merchant Bank.

■ Mr Paul Downey, deputy actuary, has been promoted to actuary of NATIONAL MUTUAL LIFE ASSURANCE SOCIETY, in succession to Mr Walter Jackson, who has retired.

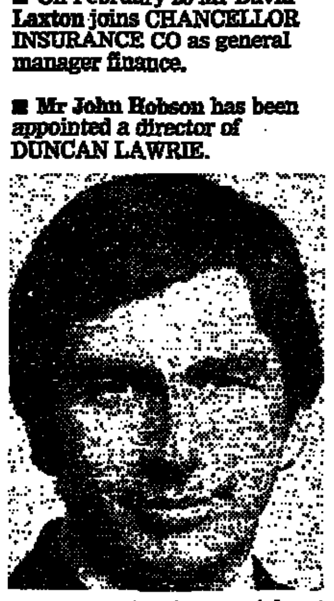
■ GLYNWED INTERNATIONAL has appointed Mr Jon Pither as a director. He is managing director of Amari, a wholly-owned subsidiary acquired last summer. He will be responsible for a new metal services division.

■ Mr P.S.A. Wilkins has been appointed director and technical executive of COSWORTH RESEARCH & DEVELOPMENT.

■ Mr Tim Rix has been appointed a director of Norcros Developments.

■ On February 20 Mr David Laxton joins CHANCELLOR INSURANCE CO as general manager finance.

■ Mr John Hobson has been appointed a director of DUNCAN LAWRIE.



Mr Tony FitzSimons (above) has been appointed managing director of the BRISTOL & WEST BUILDING SOCIETY from February 27. He was managing director, personal banking, Citibank.

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	46.57	46.99xd	49.98	-0.33	5.48
Gilts & Fixed Int	6	115.40	115.40	122.50	+0.4	9.16
High Inc Equity	6	128.80	131.20	140.30	+2.8	4.24
Worldwide Bond	6	186.3	186.3xd	197.5	+0.2	4.91
Capital Growth						
American Growth	6	159.00	161.00	171.2	-1.2	1.28
Asian Pacific	6	78.95	80.18	85.70	-0.53	1.26
Assets & Earnings	6	153.20	156.90	166.90	+2.9	2.37
Capital Reserve Acc	0	83.12	83.18	83.34	+0.03	4.80
Comdty & Energy	6	96.55	96.55	103.30		0.00
1992 Enterprise	6	53.33	54.37	57.83	+1.07	3.11
European Capital	6	76.78	77.35	82.28	-0.11	0.91
General	6	170.30	173.30xd	184.30	-3.4	2.41
Japan	6	104.9	106.7	113.5	-0.1	0.00
Mastertrust	6	79.13	79.13	84.64	-0.72	1.74
UK Growth Acc	6	192.4	200.8	213.6	+2.3	1.60
UK Growth Dist	6	128.8	134.5	143.0	-1.5	2.38
US Emerging Cos	6	47.79	49.24	52.38	-0.17	0.00

[illegible]

Provident Mutual Unit Tst Mngrs Ltd (0905)H
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
PM Equity Gth	5	117.6	119.8	127.4	+0.8	2.80
PM Income & Gth	5	105.5	107.1	113.9	+1.2	4.18
PM Nth Amer Gth	5	48.13	48.13	51.20	+0.3	1.47
PM European Gth	5	46.90	46.66	49.63	+0.21	0.89
PM Japan Gth	5	80.11	80.26	85.38	+0.15	0.29
PM Overseas Gth	5	50.22	50.22	53.42	+0.1	0.88

Scottish Mutual Inv Mngrs Ltd (1000)F
109 St Vincent St, Glasgow G2 5HN 041-248 6100

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Equity	5¼	237.5	243.7xd	259.3	+5.7	3.04
UK Smllr Cos Eqty	5¼	228.8	237.8xd	253.0	+3.0	2.46
UK Spec Sits	5¼	69.06	71.09	75.63	+0.9	2.61
Income Plus	5¼	59.43	60.76	63.64	+0.8	5.84
Europeto	5¼	192.0	197.2	209.8	+1.1	1.40
Far Eastern	5¼	71.71	73.19	77.87	+0.3	2.14
Japanese †	5¼	62.71	64.13	68.23	+0.0	0.00
North American	5¼	126.3	127.9	136.1	+1.0	1.93
Intl Growth	5¼	123.5	125.8xd	133.9	+0.5	1.13
Worldwide Venture	5¼	60.20	61.42	65.35	+0.9	2.68

Scottish Provident Inv Mgt Ltd (1000)F
6 St Andrew Sq, Edinburgh EH2 2YA 031-558 2341/2/3

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Equity Growth Acc	6	18.69	18.92	20.25	+0.47	3.14
Equity Growth Inc	6	18.25	18.48	19.78	+0.46	3.14
Intl Growth Acc	6	19.90	20.26	21.68	+0.14	0.65
Intl Growth Inc	6	19.57	19.92	21.32	+0.13	0.65
Global Income Acc	6	20.09	20.22	21.64	+0.18	5.63
Global Income Inc	6	19.00	19.13	20.47	+0.18	5.63
Market Leaders Acc	6	18.29	18.41	19.70	+0.50	3.92
Market Leaders Inc	6	17.50	17.61xd	18.85	+0.48	3.92

Scottish Widows' Fund Mngmt (0659)H
PO Box 902, Edinburgh EH16 5BU 031-668 3724

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Peg Equity Acc	5	362.4	364.8	387.3	+5.6	3.68
Peg Equity Inc	5	295.4	296.7	315.7	+4.6	3.68
Peg High Inc Acc	5	182.9	184.6	196.4	+1.8	4.73
Peg High Inc	5	165.8	167.3	178.0	+1.6	4.73
Peg Europe Acc	5	143.6	143.6	152.8	+0.4	1.25
Peg Europe Inc	5	141.4	141.4	150.4	+0.4	1.25
Peg Nth Amer Acc	5	100.8	101.2	107.7	+0.6	1.99
Peg Nth Amer Inc	5	97.55	97.87	104.2	+0.6	1.99
Peg Pacific Acc	5	257.9	260.4	277.1	-0.5	-
Peg Global Acc	5	138.9	138.9	147.8	+1.9	1.74
Peg Global Inc	5	134.5	134.5	143.1	+1.8	1.74

Waverley Unit Tst Mngmt Ltd
13 Charlotte Sq, Edinburgh

Wellington Fund Mngrs Ltd
2, London Bridge, SE1

Wessex Asset Management
1 Richmond Hill, Bournemouth BH2 6HW

Whittingdale Unit Tst Mgmt Ltd
2 Honey Lane, London EC2V 8BT

Willbro Financial Services Ltd
PO Box 515 Austin Friars, London EC2

[illegible]

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♣ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes contained in last column of the FT Unit Trust information pages.

هكذا أصل

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Windsor Trust Mngrs Ltd (1000)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Growth & Equity ‡	5	62.76	65.16	69.32	+0.43	5.90
European ‡	5	56.79	57.40xd	61.07	+0.33	0.45
Far Eastern ‡	5	55.18	55.18	58.68	+0.29	1.21
Growth ‡	5	89.00	92.52	98.43	+0.13	1.68
Income ‡	5	82.95	84.52xd	89.91	+1.10	3.75
Property Share ‡	5	53.69	54.69	58.22	+0.43	1.91
Smaller Co's ‡	5	58.87	62.09	66.06	+0.33	1.65
Formerly RBC Trust Managers Ltd						
RBC Select Gwth Acc ‡	5	61.92	61.92	66.22	+1.02	1.92
RBC Select Income ‡	5	68.06	68.06	72.79	+1.07	3.44
RBC Select Inc Acc ‡	5	73.04	73.04	78.12	+1.07	3.44
RBC Select N Amer ‡	5	51.82	51.82	55.35	-0.03	1.86
RBC Select Intl ‡	5	41.73	41.73	44.43	+0.39	1.47
Wright Seligman Fund Mngrs Ltd (1000)H						
11 Blomfield St, London EC2M 7AY 01-588 6592						
Growth	5	94.93	94.93	98.43	.....	3.82
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602290						
Yorkshire General	5¼	59.38	62.46	66.45	+0.56	3.15
YUTM UK Eqty Inc Tst	5¼	59.58	61.41	65.33	+0.76	4.88
YUTM Jap Gwth Tst ‡	5¼	46.70	46.70	49.79	+0.11	1.10

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield
Baillie Gifford & Co Ltd				
Int'l Expt Feb 1	429.0	446.1	.....	–
Cent. Bd. of Fin. of Church of England†‡				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Inv Fund Jan 31	492.95		.....	4.71
Fxd Int Sec Jan 31	143.75		.....	9.95
Deposit Jan 31	100.00		.....	12.45
Charities Official Invest. Fund‡‡				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Income Jan 31	469.11		.....	4.97
Accum Jan 31	1500.47		.....	–
Edinburgh Fund Mngrs PLC				
Exempt Funds				
American Feb 8	123.1	126.5	+2.6	1.78
Managed Feb 8	122.5	127.1	+1.8	2.33
Japan Feb 9	136.6	140.4	+3.8	0.16
Pacific Feb 3	390.5	401.2	+10.5	0.22
Sm Jap Cos Feb 3	270.2	277.6	+9.7	0.10

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514				
Fixed Int. Dep. Acc.	254.4	267.8	–	–
Equity Acc.	809.9	852.6	+4.4	–
Property Acc.	479.0	504.3	–	–
Far East Acc.	194.9	205.2	-0.1	–
European Acc.	20.2	21.3	+0.1	–
Managed Acc.	640.9	674.7	+3.0	–
Managed Cap.	366.5	384.8	+1.7	–
O'seas Earnings Acc.	540.0	568.5	+3.6	–
Gilt Edged Acc.	315.7	332.4	-0.4	–
American Equity Acc.	400.6	421.7	+2.2	–
American Man. Acc.	186.7	196.6	+0.8	–
American Prop Acc.	134.9	142.0	–	–
Pen. F.I. Dep. Cap.	279.6	294.4	–	–
Pen. F.I. Dep. Acc.	473.3	498.3	+0.1	–
Pen. Prop. Cap.	561.3	590.9	–	–
Pen. Prop. Acc.	1049.0	1104.3	+0.1	–
Pen. Man. Cap.	797.6	839.6	+12.8	–
Pen. Man. Acc.	1490.1	1568.6	+24.2	–
Pen. Gilt Edg. Cap.	318.8	331.4	-0.4	–
Pen. Gilt Edg. Acc.	480.6	505.9	-0.6	–
Pen. Eq. Cap.	1308.8	1377.7	+24.9	–
Pen. Eq. Acc.	1853.2	1950.8	+35.4	–
Pen. Am. Eq Cap.	128.7	135.5	+0.8	–
Pen. Am. Eq Acc.	153.6	161.7	+1.0	–
Pen. Far East Cap.	232.5	244.8	–	–
Pen. Far East Acc.	277.5	292.2	–	–
Pen. Euro Cap.	22.8	24.1	–	–
Pen. Euro. Acc.	24.5	25.8	-0.1	–
Pen. B.S. Acc.	515.4	541.7	+0.2	–
Pen. B.S. Cap.	313.0	328.7	+0.1	–
Pen. D.A.F. Acc.	361.4	361.9	+0.1	–
Pen. D.A.F. Cap.	246.7	246.7	–	–
Pen. Mortgage Cap.	139.7	147.1	–	–
Pen. Mortgage Acc.	166.8	175.6	+0.1	–
Baring Funds				
Pen Equ Cap.	27.2	28.7	+0.3	–
Pen Equ Acc.	28.1	29.6	+0.4	–
Pen Am Eq Cap.	28.5	30.1	+0.3	–
Pen Am Eq Acc.	29.4	31.0	+0.3	–
Pen Far East Cap.	28.9	30.5	+0.3	–
Pen Far East Acc.	29.8	31.4	+0.3	–
Pen Euro Cap.	30.7	32.4	+0.1	–
Pen Euro Acc.	31.7	33.4	+0.2	–
James Capel Funds				
Pen Equ Cap.	27.9	29.4	+0.1	–
Pen Equ Acc.	28.6	30.2	+0.1	–
Pen Am Eq Cap.	28.5	30.1	–	–
Pen Am Eq Acc.	29.4	31.0	+0.1	–
Pen Far East Cap.	28.5	30.1	-0.1	–
Pen Far East Acc.	29.4	31.0	–	–
Pen Euro Cap.	27.7	29.2	+0.1	–
Pen Euro Acc.	28.5	30.0	–	–

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fund	284.6	299.6	+3.7	–
Man Pens Inc & Cap Fds	370.2	389.7	+6.1	–
Money Fund	116.9	123.1	+0.1	–
Pens Mngd Fd (Init)	98.9	104.2	-0.5	–
Pens Mngd Fd (Acc)	117.5	123.7	-0.5	–
Pens FT30 Fd (Init)	142.7	150.3	+1.6	–
Pens FT30 Fd (Acc)	169.5	178.5	+2.1	–
Pens O'seas MgFd (Init)	70.3	74.0	+0.4	–
Pens O'seas MgFd (Acc)	83.5	87.9	+0.6	–
Pens Fxd Int Fd (Init)	106.0	111.6	+0.5	–
Pens Fxd Int Fd (Acc)	125.9	132.6	+0.8	–
Pens Deposit Fd (Init)	103.1	108.6	+0.1	–
Pens Deposit Fd (Acc)	122.5	129.0	+0.2	–

Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or -	Yield Gross
American	115.0	122.0	+2.0	–
Building Soc. Fd	167.0	176.0	....	–
Balanced	269.0	284.0	+4.0	–
Deposit	166.0	175.0	....	–
European	152.0	160.0	-1.0	–
GT Managed	174.0	184.0	-2.0	–
Gartmore Mngd.	112.0	118.0	-1.0	–
German	104.0	110.0	+1.0	–
Gilt	174.0	184.0	+2.0	–
Global	48.0	51.0	....	–
High Inc.	109.0	115.0	....	–
International Equity	176.0	186.0	+2.0	–
Japan	237.0	250.0	+3.0	–
Managed	61.0	65.0	+1.0	–
Property	272.0	287.0	....	–
R. W. Imperial Gold	125.0	132.0	....	–
UK Equity	358.0	377.0	+6.0	–
Pension Funds				
American	131.0	138.0	....	–
Building Soc. Fd	164.0	173.0	....	–
Balanced	204.0	215.0	....	–
Deposit	159.0	168.0	....	–
European	148.0	156.0	....	–
German	94.0	99.0	....	–
Gilt	144.0	152.0	....	–
International Equity	127.0	134.0	....	–
Japan	135.0	143.0	....	–
Managed	60.0	64.0	....	–
Property	212.0	224.0	....	–
UK Equity	309.0	326.0	....	–

Prolific Life & Pensions Ltd

[illegible]

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	537.1	565.4	-7.2	–
Equity	781.1	822.3	+15.1	–
Global Equity	219.7	231.0	+1.4	–
Fixed Interest	403.7	425.0	+2.0	–
Property	370.8	390.4	-0.2	–
Cash	150.1	158.1	+0.1	–
Index Linked Gilt	191.3	201.4	+0.8	–
Guaranteed	11.68	12.43	-0.07	–
International Money	192.3	202.5	+0.7	–
North American	61.0	64.3	+0.7	–
Japanese	138.3	145.6	-0.3	–
European	79.1	83.3	+0.2	–
Special Situations	116.2	122.4	+1.8	–
Communications	91.7	96.6	+1.2	–
Smaller Companies	105.2	110.8	-1.1	–
International Small Cos	116.2	122.4	+0.5	–

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

	Bid Price	Offer Price	+ or -	Yield Gross
Discretionary Jan 25	£138.97	143.67	....	–
Equity Jan 25	£149.40	154.86	....	–
International Jan 25	£22.64	23.53	....	–
Intl Bond Jan 25	£11.16	11.30	....	–
Fixed Int Jan 25	£71.07	72.02	....	–
Index Linked Jan 25	£57.70	58.43	....	–
Property Jan 25	£102.72	108.83	....	–
Cash Jan 25	£19.9296	19.9296	....	–
Pre-Linked Retirement Plan				
Managed Feb 8	358.7	373.7	+4.3	–
Cash Feb 8	188.6	196.5	+0.5	–
Prudential Pensions Investment Account				
Pens Mngd Feb 8	147.0	154.8	+1.5	–
Pens UK Eq Feb 8	273.6	288.0	+6.4	–
Pens Intl Feb 8	170.8	179.8	+2.4	–
Pens Fixed Feb 8	165.9	174.7	-0.3	–
Pens Index Li Feb 8	150.0	157.9	-1.0	–
Pens Cash Feb 8	123.3	129.8	+0.3	–

Regency Life Assurance Co Ltd
Regency Hse, Lanark Sq, London E14 9XS 01-538 8800

	Bid Price	Offer Price	+ or -	Yield Gross
Aggressive Ptflio Fd	114.1	120.0	+1.7	–
Balanced Ptflio Fd	302.3	318.2	+4.1	–
Cautious Ptflio Fd	119.8	126.0	+0.8	–
Elite Fund	103.9	109.3	+2.4	–

[illegible]

Royal Bank of Canada Funds
RBC Offshore Fund Managers Ltd
PO Box 246, St Peter Port, Guernsey 0481 23021

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Intl Bond Fd	5	$11.41	11.41	12.03	(z)	3.53
Intl Capital Fd	5	$45.92	45.92	49.52	(z)	–
North America Fd	5	$13.11	13.11	14.15	(z)	–
Far East & Pacific Fd	5	$33.20	33.20	35.80	+0.58	–
Canadian Fd.	5	C$13.51	13.51	14.54	(z)	–
RBC Intl Currencies Fd Ltd						
US$		$–		31.10	+0.02	–
Canadian $		C$–		40.60	+0.01	–
£ Sterling		£–		17.42	–	–
D-Mark		DM–		62.20	+0.02	–
Swiss Francs		SFr–		46.80	–	–
Japanese Yen		Y–		7704	+1	–
Managed Fund		$–		38.17	–	–

Latest RBC Fund Prices 24hr service 0481 710598

Gartmore Fund Managers (IoM)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Intl Grth Feb 02	5	457.2	457.2	486.41	....	–

Hellerup Scandinavian Fund Ltd

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Scandinavia Fd	5	150.29	150.29	161.25	[illegible]	2.0

Mercury Fund Managers Isle of Man Ltd

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Merc Intl Fund	5	125.1	126.2	134.3	+1.4	7.8
Merc Intl Bond	5	48.60	48.60	51.25	-0.16	4.7

Refuge Overseas

[illegible]

JERSEY AUTHORISED

[illegible]

LUXEMBOURG AUTH'D

[illegible]

BERMUDA AUTHORISED

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

GUERNSEY AUTHORISED

[illegible]

IoM AUTHORISED

[illegible]

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988/89 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
101½	98	Treas 9½pc Cov 1989	99	+	9.55	12.29
98	95	Treas 3pc 1989	98	+	3.05	9.63
102	98	Treas 10½pc 1989	99	+	10.57	12.34
102	98	Exch 10pc 1989	99	+	10.15	10.94
103	98	Exch 11pc 1989	99	+	11.08	12.15
97	94	Treas 5pc 1986-89	96¾	.....	5.17	9.98
104	98	Exch 10¼pcCv '89	99½	.....	10.31	11.08
107½	101¼	Treas 13pc 1990‡‡	101	+	12.80	11.20
104	99	Exch 11pc 1990‡‡	99xd	+	11.02	11.17
107	100	Exch. 12½pc 1990	101	+¼	12.35	11.32
93	90	Treas. 3pc 1990	92¼	.....	3.24	9.42
97	95	Treas 8¼pc 1987-90‡‡	96¼	+¼	8.53	10.95
102	95	Treas. 8pc Cv 1990 ‡‡	98¼	+	8.14	9.35
103	97¼	Treas. 10pcCv 1990	98½	+¼	10.15	10.94
91	87	Exch 2¼pc 1990	89	+¼	2.80	9.08
107	100	Treas 11¾pc 1991	102	+	11.58	10.90
95	89	Funding 5¾pc '87-91‡‡	91¼	+¼	6.29	10.22
90	86	Treas. 3pc 1991	88¼	+¼	3.41	9.02
105	97	Treas 10pc Cv '91 ‡‡	100	+	10.04	10.19
107	98	Exch. 11pc 1991	101	+	10.91	10.63
98	91	Treas. 8pc 1991	94¼	+	8.50	10.44
113	103	Treas 12¾pc 1992‡‡	106	+¼	12.02	10.31
104	96	Treas 10pc 1992	99½xd	+¼	10.06	10.34
98	91¼	Treas. 8pc 1992 ‡‡	94	+¼	8.51	10.25
106¼	98	Treas 10½pc Cv 1992‡‡	100½	+¼	10.46	10.34
86	81	Treas. 3pc 1992	84	+¼	3.54	8.30
112	102	Exch. 12¼pc '92	105xd	+	11.62	10.39
117	106	Exch 13½pc 1992	109¼	+	12.34	10.30
97	91	Treas 8¼pc 1993	94xd	+	8.79	10.14
105	96	Treas 10pc 1993‡‡	100	+	10.01	10.01
115	105	Treas 12½pc 1993‡‡	108¼	+	11.53	10.11
93	85	Funding 6pc 1993‡‡	87¼xd	+¼	6.86	9.42
121	110	Treas 13¾pc 1993‡‡	113¼	+	12.13	10.14
101	90	Treas. 8½pc 1994	94	+	9.04	10.05

Five to Fifteen Years

1988/89 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
125¼	113	Treas 14½pc 1994‡‡	117xd	+	12.35	10.02
120	109	Exch 13¾pc 1994	113	+	11.92	10.16
105	96	Treas. 10pc Ln. 1994‡‡	100	+	9.98	9.94
116	106	Exch. 12½pc 1994	110¼xd	+	11.34	10.05

BRITISH FUNDS—Contd

Undated

1988/89 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
45	41	Consols 4pc	45	+	8.89	–
40	37	War Loan 3½pc‡‡	40	+	8.71	–
66	48	Conv. 3½pc '61 Aft	66	+½	5.30	–
34	30	Treas. 3pc '66 Aft	34	+¼	8.82	–
28	26¼	Consols 2½pc	28	+	8.83	–
29	26¼	Treas. 2½pc	28	+¼	8.83	–

Index-Linked

1988/89 High	Low	Stock (b)	Price £	+ or −	(1)	(2)
125	117½	Treas 2pc IL '90(84.6)	125	+	0.26	2.93
105	99	Do. 2pc '92‡‡(97.8)	105	+	2.61	3.44
97	92½	Do. 2 '94 (102.9)	97	+	2.96	3.44
142	127¼	Do. 2pc '96(67.9)	142xd	+	3.19	3.53
122	103¾	Do 2½pc '01(78.3)	122	+	3.34	3.57
119	101	Do. 2½pc '03(78.8)	119	+	3.38	3.59
122	102½	Do. 2pc '06(69.5)	122¼	+½	3.45	3.62
115	95	Do. 2½pc '09(78.8)	115	+½	3.44	3.60
119	99	Do. 2½pc '11(74.6)	119xd	+½	3.43	3.59
99	82	Do. 2½pc '13(89.2)	99xd	+½	3.41	3.55
108	88	Do. 2½pc '16(81.6)	108	+½	3.38	3.52
105¼	87¼	Do. 2½pc '20(83.0)	105	+½	3.35	3.47
89	73	Do. 2½pc '24‡‡(97.7)	89	+½	3.31	3.42

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for May 1988:106.2 and for December 1988:110.3

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1988/89 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
109	100	African Dv Bk 11¼Ln 2010	108	+¼	10.23	10.11
104	96	Asian Dev Bk 10¼pcLn2009	104	+¼	9.80	9.72
130¼	120	Australia 13½pc 2010	130¼xd	+	10.36	10.04
113	103	Do. 11¼pcLn2015	113	+	10.02	9.921
110	103¾	Euro Inv Bk 11pc Ln 2002	108	+	10.15	9.86
105	98	Do. 10¼pc2004	104	+	9.941	9.82

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Contd

1988/89 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
19	14¾	USX $1	18	.....	$1.40	–	4.3
154p	44p	Unilab.	130p	-4	–	–	–
2	17	Utd. Technologies	25¼	-¼	$1.60	–	3.5
163p	27p	Utilitech Inc.	138p	-12	–	–	–
35¾	25¾	US West	35¾	+½	$3.52	–	5.5
26	16¾	Waste Management $1	24¾	-⅛	48c	–	1.1
16½	12¾	Whirlpool $1	15⅛	.....	$1.10	–	4.0
20⅝	15	Whitman Corp	19	.....	96c	–	2.8
33	16	Woolworth $3½	31½	+¼	$1.64	–	2.8

CANADIANS

1988/89 High	Low	Stock	Price	+ or −	Div	C'vr	Y'ld
309p	132p	A&M Gold Corp	146p	.....	–	–	–
32p	4½p	Abbey Energy Corp.	12½p	.....	–	–	–
14¼	882p	Amer. Barrick Res.	11¼	.....	–	–	–
10p	2½p	Amer. Lightwave	2½p	.....	–	–	–
47p	7½p	Armeno	18½p	.....	–	–	–
76p	25p	Augmitto Expln.	26p	.....	–	–	–
14⅝	10⅝	Bk. Montreal	14½	.....	$2.12	–	7.0
769p	514p	Bk. Nova Scot.	759p	+11	84c	–	5.3
18¾	15¼	BCE	18½	+¼	$2.44	–	6.3
716p	527p	Bow Valley	686p	+11	40c	–	2.8
14¼	10½	Brascan	14¼	.....	88c	–	3.0
328p	177p	Breakwater Res.	299p	.....	10c	–	2.3
13¼	801p	Can Imp Bank	13¼	+⅛	$1.16	–	4.2
12¼	841p	Can. Pacific	11½	-⅛	76c	–	3.1
41½	38½	Do. 4pc Deb £100	38½	.....	4%	–	10.4
515p	357p	Central Capital "A"	369p	.....	–	–	–
465p	313p	Corona Corp	419p	+5	–	–	–
886p	228p	Cons TVX Min.	316p	-1	–	–	–
371p	[illegible]	Dantec Mem Syst.	24p	+2	–	–	–
686p	430p	Derlan Inds.	619p	-14	11.75c	–	0.9
14½	740p	Echo Bay Mines	856p	-8	$0.07	–	0.4
839p	249p	ECO Corp	431p	-7	–	–	–
40p	11½p	Energex Minerals	12½p	.....	–	–	–
125p	93p	Euro-Asia Capital	108p	.....	–	–	–
386p	196p	Galactic Resources	221p	-3	–	–	–
423p	267p	Gandalf Techs. Inc.	298p	-1	–	–	–
125p	41p	Geodome Res.	43¼p	.....	–	–	–
394p	141p	Granges Expln	172p	-11	–	–	–
19½p	4½p	Gt. Pacific Res	19½p	+1	–	–	–
903p	576p	Gulf Canada	722p	-8	52c	–	3.5
12¾	816p	Hawker Sid Can	11¾	-⅛	$1.08	–	4.4
590p	344p	Henlys Group	389p	-1	–	–	–
12½	785p	Hudson's Bay	12	.....	60c	–	2.4
28¼	20¼	Imperial Oil	24½	.....	$1.80	–	3.5
20⅞	10½	Inco	18¼	-¼	US$0.80	–	2.4
716p	462p	Inland Nat. Gas $1	650p	-7	60c	–	4.4
250p	106p	Madeleine Mines	126p	+1	–	–	–
207p	126p	Muscocho Expln	170p	-5	–	–	–
187p	42p	Ntnl Business Syst.	42p	.....	–	–	–
245p	87½p	Nevada Goldfields	102p	+2	–	–	–
12½	757p	Rio Algom	12½	+⅛	$1.30	–	5.2
19½	11½	Royal Bk. Can.	19½	.....	$2.20	–	5.5
40¾	26⅝	Seagram	40¼	+¼	US$1.20	–	1.6
361p	74½p	Sonora Gold Corp	85p	.....	–	–	–
121p	16p	Spiral Eng	75p	-2	–	–	–
150p	35p	Tam Pure Tech. Corp.	109p	+12	–	–	–
19¼	11½	Toronto-Dom. Bk.	19¼	+¼	$1.12	–	2.8
746p	506p	Trans Can Pipe	746p	+10	68c	–	4.4
265p	127p	Varity Corp	173p	.....	–	–	–

BANKS, HP & LEASING

1988/89 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

مكتبة الأمل

مكانه الأصل

LONDON SHARE SERVICE

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY—Contd

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; *bracketed figures indicate 10 per cent or more difference if* calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ *Tax-free to non-residents on application*
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✝ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ *Same interim; reduced final and/or reduced earnings* indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or *other offer estimate. c Cents. d Dividend rate paid or payable on* part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations. xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.....γ	77	+1
Craig & Rose £1..γ	710	......
Finlay Pkg. 5p....γ	89	......
Holt (Jos) 25p.....γ	1235	......

IRISH

Cap. 8½% Ln 1991.	£99½	......
9pc Cap Ln. 1996..	£100½	+¼
Fin. 13% 97/02...	£122⅛	......
Arnotts................	425	+5
Carrol (P.J.).......γ	155	......
Hall (R. & H.)......	165	......
Helton Hldgs.......γ	70	+1
Irish Ropes..........	170	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp.	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord.	18
Cadburys	31
Charter Cons	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	98
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen	26
Lex Service	34
Lloyds Bank	29
Lucas Inds	48
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI	12
Nat West Bk	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect	25
RHM	32
Rank Org Ord	63
Reed Intnl	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property

Brit Land	30
Land Securities	52
MEPC	50
Peachey	54

Oils

Brit Petroleum	21
Do. (P.Paid)	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	9
Shell	85
Ultramar	21

Mines

Cons Gold	100
Lonrho	38
RTZ	40

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar looks to Bush speech

THE DOLLAR'S underlying tone was firm ahead of today's address before the US Congress by President George Bush. Trading was quiet however, with the US currency confined to a narrow range.

If anything the mood was possibly showing signs of moving against the dollar, even though this did not show up in exchange rates. The dollar's problems are in some ways similar to sterling's in that the market is discounting continued high interest rates and an improvement in the economic situation.

Both the dollar and the pound remain very strong against the D-Mark, but doubts are beginning to surface about how long this situation will continue, against the background of a strong West German economy and a more restrictive monetary policy by the Bundesbank, narrowing the interest rate differential in Frankfurt against New York and London.

President Bush may need to produce some convincing proposals for cutting the US budget deficit in his congressional address if the dollar is to remain firm. It was suggested that if Mr Bush disappoints the market, and there is no further sign of monetary tightening by the Federal Reserve, the dollar could start to slide.

From a technical point of view charts also point towards a possible dollar sell off unless fundamental factors, such as rising interest rates and a cut in the budget deficit, provide support.

Mr Bush will not address Congress until after the markets close today, and the main factor to watch for could be the West German trade figures for December, to be released this morning. These are expected to show a visible surplus of about DM12.8bn, little changed from the November surplus of DM13.1bn.

The Bundesbank appeared to take a fairly relaxed view of the situation yesterday, after tightening credit conditions in Frankfurt. The central bank failed to fully replace an expiring securities repurchase agreement with the commercial banks, thus draining liquidity from the domestic money market.

There was no intervention by the Bundesbank to support the D-Mark on the open market or at the Frankfurt fixing.

The currency market took its lead from Tokyo where the dollar opened at Y129.50 and closed at the same level, after moving in a very narrow range of Y129.40 to Y129.53. A dealer commented that this was not a trading range, but just a spread.

At the London close the dollar had moved up to DM1.8720 from DM1.8675; to Y129.65 from Y129.25; to SFr1.5905 from SFr1.5865; and to FFr6.3700 from FFr6.3550. On Bank of England figures the dollar's index rose to 67.6 from 67.5.

Sterling showed no adverse reaction to the changing monetary conditions in West Germany. The pound performed well, helped by optimism in the gilt and equity markets in London.

Sterling gained 10 points to $1.7435. It also rose to DM3.2650 from DM3.2550; to Y226.00 from Y225.25; to SFr2.7725 from SFr2.7650; and to FFr11.1050 from FFr11.0725. The pound's index rose 0.1 to 97.5.

£ IN NEW YORK

Feb.8	Latest	Previous Close
£ Spot	1.7420-1.7430	1.7368-1.7378
1 month	0.48-0.47pm	0.49-0.47pm
3 months	1.39-1.36pm	1.39-1.37pm
12 months	3.72-3.65pm	3.75-3.65pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Feb.8	Previous
8.30 am	97.6	97.0
9.00 am	97.6	97.1
10.00 am	97.5	97.1
11.00 am	97.5	97.2
Noon	97.5	97.2
1.00 pm	97.5	97.2
2.00 pm	97.5	97.2
3.00 pm	97.5	97.3
4.00 pm	97.5	97.4

CURRENCY RATES

Feb.8	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	[illegible]	[illegible]	[illegible]
U.S. Dollar	[illegible]	[illegible]	[illegible]
Canadian $	[illegible]	[illegible]	[illegible]
Austrian Sch.	[illegible]	[illegible]	[illegible]
Belgian Franc	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]
Deutsche Mark	[illegible]	[illegible]	[illegible]
Neth. Guilder	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]
Norway Krone	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]
Swedish Krona	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]
Greek Drach.	[illegible]	[illegible]	[illegible]
Irish Punt	[illegible]	[illegible]	[illegible]

*All SDR rates are for Feb.7

CURRENCY MOVEMENTS

Feb.8	Bank of England Index	Morgan Guaranty Changes %
Sterling	97.5	-14.6
U.S. Dollar	67.6	-11.2
Canadian Dollar	102.8	-0.1
Austrian Schilling	106.2	+8.2
Belgian Franc	105.4	-6.5
Danish Krone	102.6	-2.2
Deutsche Mark	112.1	+19.9
Swiss Franc	108.0	+17.6
Guilder	109.5	+12.5
French Franc	98.3	-16.1
Lira	97.7	-20.0
Yen	149.6	+81.8

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) *Rates are for Feb.7

OTHER CURRENCIES

Feb.8	£	$
Argentina	[illegible]	[illegible]
Australia	[illegible]	[illegible]
Brazil	[illegible]	[illegible]
Finland	[illegible]	[illegible]
Greece	[illegible]	[illegible]
Hong Kong	[illegible]	[illegible]
Iran	[illegible]	[illegible]
Korea(Sth)	[illegible]	[illegible]
Kuwait	[illegible]	[illegible]
Luxembourg	[illegible]	[illegible]
Malaysia	[illegible]	[illegible]
Mexico	[illegible]	[illegible]
N. Zealand	[illegible]	[illegible]
Saudi Ar.	[illegible]	[illegible]
Singapore	[illegible]	[illegible]
S. Al (Cm)	[illegible]	[illegible]
S. Al (Fn)	[illegible]	[illegible]
Taiwan	48.00-48.25	27.55-27.65
U.A.E.	6.3955-6.4010	3.6725-3.6735

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Feb.8	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.7106	+2.95	+0.91	±1.5344
Danish Krone	7.85212	8.11379	+3.33	+1.29	±1.5404
German D-Mark	2.05853	2.08610	+1.34	-0.70	±1.0981
French Franc	6.90403	7.09958	+2.84	+0.80	±1.3674
Dutch Guilder	2.31943	2.35537	+1.55	-0.49	±1.5012
Irish Punt	0.768411	0.781257	+1.67	-0.37	±1.6684
Italian Lira	1483.58	1520.99	+2.52	+1.25	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Feb 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7370-1.7460	1.7430-1.7440	0.49-0.46cpm	3.27	1.40-1.35pm	3.15
Canada	2.0545-2.0690	2.0635-2.0645	0.34-0.21cpm	1.60	0.76-0.57pm	1.29
Netherlands	3.67½-3.69	3.68-3.69	1⅞-1⅝cpm	5.90	5½-5¼pm	5.83
Belgium	68.10-68.55	68.30-68.40	32-26cpm	5.09	87-78pm	4.83
Denmark	12.67-12.71½	12.70½-12.71½	5-4⅝orepm	4.54	14⅝-13⅞pm	4.48
Ireland	1.2110-1.2255	1.2215-1.2225	0.57-0.52pm	5.35	1.45-1.35pm	4.58
W. Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.20
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.79
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.19
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.84
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.67
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.62
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.60
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.86
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.07
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.58

Belgian rate is convertible francs. Financial franc 68.75-68.85. Six-month forward dollar 2.46-2.43cpm 12 months 3.82-3.72cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Feb 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.15
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-1.77
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-1.87
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.59
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.68
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.27
W. Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.04
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-2.35
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.03
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-2.42
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-1.54
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.45
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-1.01
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.77
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.96
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.45

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc [illegible].

EURO-CURRENCY INTEREST RATES

Feb 8	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Feb 8	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.463	2.552	4.777	330.7	16.25	4.057	5.341	3479	3.020	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Short sterling falls back

SHORT STERLING futures failed to build on a firmer start yesterday and slipped back to finish unchanged from the close on Tuesday. Values were pushed up initially by a strong performance in the US bond sector, and later by news of no real tightening in West German interest rates. However, the March contract failed to break resistance at 87.31 and fell back to close at 87.25 against 87.26 at the opening.

Long gilt futures were also boosted by the performance in the US bond market but, unlike short sterling, managed to hold on to early gains. While prices came off their highs in the last 15 minutes of trading, sentiment in some quarters was underpinned by rumours of a favourable economic outlook contained in the Bank of England's quarterly bulletin, released today.

US Treasury bonds continued to improve, following a favourable response to the latest US Treasury three-year note auction. Later trading in Chicago took on a more cautious note as dealers awaited the outcome of the next leg of the authorities' refunding programme - some $9.5bn of 10-year Treasury notes.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
95	—	457	—	11
96	—	363	—	17
97	—	311	—	29
98	—	229	—	47
99	—	151	—	105
100	—	121	—	139
101	—	60	—	214

Estimated volume total, Calls 5338 Puts 1735
Previous day's open int. Calls 32507 Puts 20198

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
86	537	560	1	24
88	338	417	2	45
90	145	254	9	118
92	24	142	52	206
94	3	59	231	323
96	1	32	429	460
98	0	16	628	644

Estimated volume total, Calls 209 Puts 71
Previous day's open int. Calls 3104 Puts 3351

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Puts-settlements Mar
20000	1376	56
20500	960	140
21000	—	—
21500	—	—
22000	—	—
22500	—	—
23000	—	—

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 0 Puts 0

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-settlements Feb	Calls-settlements Mar	Puts-settlements Feb	Puts-settlements Mar
160	—	1425	—	1
165	925	925	0	12
170	425	449	0	81
175	34	160	114	292
180	0	36	580	668
185	0	5	1080	1137
190	0	0	1580	1632

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 186 Puts 3750

LIFFE EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
8950	88	89	1	9
8975	64	69	2	14
9000	40	50	3	20
9025	20	35	8	30
9050	7	22	20	42
9075	3	13	41	58
9100	1	9	64	79

Estimated volume total, Calls 230 Puts 250
Previous day's open int. Calls 5614 Puts 6612

LIFFE SHORT STERLING

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
8675	55	126	5	7
8700	32	105	7	11
8725	16	85	16	16
8750	7	66	32	22
8775	3	50	53	31
8800	1	36	76	42
8825	0	25	100	56

Estimated volume total, Calls 329 Puts 560
Previous day's open int. Calls 24274 Puts 22925

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
1.750	0.25	1.42	2.23	3.35	1.05	2.74	3.93	5.80
1.775	0.02	0.69	1.47	2.55	3.13	4.46	5.56	7.49
1.800	-	0.26	0.87	1.86	5.60	6.50	7.43	9.10
1.825	-	0.07	0.47	1.30	8.10	8.76	9.50	10.98
1.850	0.05	-	0.22	0.88	10.60	11.14	11.72	12.99
1.875	-	-	0.09	0.57	13.10	13.58	14.03	15.12
1.900	-	-	-	0.35	15.61	16.04	-	17.33

Previous day's open int: Calls 383,364 Puts 340,894(All currencies)
Previous day's volume: Calls 10,355 Puts 15,386(All currencies)

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls-settlements Feb	Calls-settlements Mar	Calls-settlements Apr	Calls-settlements Jun	Puts-settlements Feb	Puts-settlements Mar	Puts-settlements Apr	Puts-settlements Jun
1.650	-	16.20	-	9.30	-	0.35	-	2.00
1.700	7.20	13.25	-	8.60	1.30	1.05	-	4.05
1.750	3.25	3.50	4.20	3.40	1.30	2.30	3.70	6.35
1.800	0.75	0.65	2.45	3.20	4.85	6.20	4.45	9.75
1.850	0.20	0.30	0.80	1.05	3.25	8.40	10.40	14.80
1.900	0.25	1.30	-	2.20	11.38	15.60	-	14.30
1.950	-	1.40	-	0.60	-	20.40	-	20.40

Estimated volume total, Calls N/A Puts N/A
Previous day's open int. Calls 223 Puts 144

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Mar	98-21	98-28	98-11	98-05
Jun	99-23	99-28	99-15	99-05

Estimated Volume 24676 (14187)
Previous day's open int. 33875 (33762)

7-10 YEAR 9% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Mar	95-22	95-21	95-20	95-11
Jun				

Estimated Volume 125 (48)
Previous day's open int. 277 (325)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low	Prev.
Mar	106.65	106.70	106.65	106.69
Jun	105.45	105.53	105.45	105.58

Estimated Volume 353 (300)
Previous day's open int. 698 (683)

THREE MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
Mar	87.25	87.31	87.25	87.25
Jun	87.94	88.03	87.94	87.93
Sep	88.56	88.61	88.57	88.55
Dec	88.91	88.95	88.92	88.88

Est. Vol. (inc. figs. not shown) 14467 (19981)
Previous day's open int. 59533 (59974)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Mar	213.20	214.20	211.90	209.80
Jun	217.40	218.00	216.50	214.00
Sep				

Estimated Volume 4870 (3669)
Previous day's open int. 15987 (15722)

THREE MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
Mar	90.37	90.40	90.35	90.32
Jun	90.30	90.32	90.29	90.24
Sep	90.38	90.39	90.35	90.30
Dec	90.34	90.36	90.30	90.26

Est. Vol. (inc. figs. not shown) 7690 (13982)
Previous day's open int. 52467 (51411)

US TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Mar	91-18	91-19	91-08	90-28
Jun	91-18	91-18	91-14	90-26
Sep				

Estimated Volume 4817 (3157)
Previous day's open int. 12972 (12651)

6% NOTIONAL GERMAN GOVT. BOND
DM 250,000 100ths of 100%

	Close	High	Low	Prev.
Mar	94.50	94.54	94.39	94.36
Jun	93.90	93.93	93.82	93.78
Sep	93.40			93.28

Estimated Volume 10735 (9450)
Previous day's open int. 20183 (20731)

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7435	1.7388	1.7298	1.7191	1.7058

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Mar	1.7360	1.7380	1.7352	1.7312
Jun	1.7232	1.7234	1.7230	1.7180
Sep	1.7130	1.7130	-	1.7080

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Mar	91-17	91-18	91-08	91-11
Jun	91-15	91-16	91-05	91-09
Sep	91-14	91-14	91-05	91-08
Dec	91-12	91-12	91-05	91-07
Mar	91-07	91-07	91-03	91-05
Jun	91-04	91-04	91-01	91-03
Sep	91-03	91-03	91-03	91-01
Dec	-	-	-	-
Mar	-	-	-	90-28
Jun	90-23	90-24	90-23	90-25
Sep	-	-	-	90-22

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Mar	91.49	91.50	91.46	91.47
Jun	91.57	91.57	91.54	91.54
Sep	91.63	91.63	91.61	91.60
Dec	91.59	91.59	91.57	91.55
Mar	91.74	91.74	91.71	91.73
Jun	-	-	-	91.73

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Mar	0.6301	0.6314	0.6296	0.6305
Jun	0.6360	0.6375	0.6358	0.6365
Sep	0.6415	0.6425	0.6415	0.6422

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Mar	0.7754	0.7766	0.7752	0.7760
Jun	0.7853	0.7864	0.7852	0.7859
Sep	0.7950	0.7954	0.7950	0.7950
Dec	0.8050	0.8050	0.8050	0.8045

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
Mar	0.5357	0.5364	0.5354	0.5358
Jun	0.5403	0.5409	0.5400	0.5402
Sep	0.5445	0.5445	0.5445	0.5445

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Mar	90.39	90.40	90.34	90.36
Jun	90.33	90.33	90.27	90.30
Sep	90.39	90.39	90.34	90.35
Dec	90.36	90.36	90.29	90.30
Mar	90.50	90.50	90.44	90.45
Jun	90.51	90.51	90.44	90.45
Sep	90.51	90.51	90.46	90.46
Dec	90.49	90.49	90.43	90.43

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Mar	302.10	302.40	301.70	301.40
Jun	305.75	306.00	305.30	305.00
Sep	309.40	309.40	-	308.55

EUROPEAN OPTIONS EXCHANGE

Series		Feb. 89 Vol	Feb. 89 Last	May 89 Vol	May 89 Last	Aug. 89 Vol	Aug. 89 Last	Stock
GOLD C	$420	20	0.40	59	5.50	6	12.50	$391.10
GOLD C	$440	-	-	100	2.50	-	-	$391.10
GOLD C	$460	-	-	30	1.20	-	-	$391.10
GOLD P	$390	30	2.60 B	20	8	-	-	$391.10
GOLD P	$400	25	9.20	12	13	42	14.50	$391.10

Series		Feb. 89 Vol	Feb. 89 Last	Mch. 89 Vol	Mch. 89 Last	Apr. 89 Vol	Apr. 89 Last	Stock
EOE Index C	Fl. 260	356	13 B	54	15.50 A	29	16.40	Fl. 272.88
EOE Index C	Fl. 265	650	8.30	285	12	212	12.90	Fl. 272.88
EOE Index C	Fl. 270	936	4.60	193	8 A	28	9.80 A	Fl. 272.88
EOE Index C	Fl. 275	1111	1.90	301	5.20	13	7.30	Fl. 272.88
EOE Index C	Fl. 280	91	0.80	157	3.50 A	42	5	Fl. 272.88
EOE Index P	Fl. 250	-	-	20	0.60	-	-	Fl. 272.88
EOE Index P	Fl. 260	133	0.30	248	2	58	3.50	Fl. 272.88
EOE Index P	Fl. 265	959	0.70	341	3.10 A	15	4.70	Fl. 272.88
EOE Index P	Fl. 270	987	1.80	608	4.70 B	82	6.90	Fl. 272.88
EOE Index P	Fl. 275	550	3.90	42	7	13	9	Fl. 272.88
S/Fl C	Fl. 210	8	2.20 B	34	3.50	3	4.15	Fl. 211.39
S/Fl C	Fl. 215	10	0.50	75	1.60	-	-	Fl. 211.39
S/Fl C	Fl. 220	-	-	-	-	30	1	Fl. 211.39
S/Fl P	Fl. 210	5	1	65	2.80	12	3.90	Fl. 211.39

Series		Apr. 89 Vol	Apr. 89 Last	Jul. 89 Vol	Jul. 89 Last	Oct. 89 Vol	Oct. 89 Last	Stock
ABN C	Fl. 45	592	1.10	440	1.50	191	2	Fl. 43.30
ABN P	Fl. 40	105	0.20	333	1	6	1.60	Fl. 43.30
AEGON C	Fl. 85	-	-	50	11.50	-	-	Fl. 94.20
AEGON P	Fl. 90	101	1.60	1	2.50	-	-	Fl. 94.20
AHOLD C	Fl. 95	25	2.20	2	4.50	-	-	Fl. 92.60
AKZO C	Fl. 160	870	3.30	143	4.60	10	7.50	Fl. 153.50
AKZO P	Fl. 150	238	2.50	204	6.50	5	7.80	Fl. 153.50
AMEV C	Fl. 55	93	2	11	3	5	3.70	Fl. 54.30
AMEV P	Fl. 55	135	2	60	3.50	4	4.50	Fl. 54.30
AMRO C	Fl. 85	162	1.60	74	2.50	22	3.30	Fl. 82.30
AMRO P	Fl. 80	34	2	25	2.50	2	3.90	Fl. 82.30
BUHRMANN-T C	Fl. 65	195	2	209	2.90	-	-	Fl. 63.80
BUHRMANN-T P	Fl. 60	51	0.80	3	2.50	3	3.40	Fl. 63.80
ELSEVIER C	Fl. 65	46	2.20 A	20	3.20	-	-	Fl. 64.40
ELSEVIER P	Fl. 65	16	1.80	-	-	40	4.20	Fl. 64.40
GIST-BROC. C	Fl. 40	303	1.20	270	2.10	4	3.20	Fl. 37.80
GIST-BROC. P	Fl. 40	137	2.90	98	4.40	5	5	Fl. 37.80
HEINEKEN C	Fl. 150	131	5	3	7.20	-	-	Fl. 149.60
HEINEKEN P	Fl. 150	20	3.80	20	6	-	-	Fl. 149.60
HOOGOVENS C	Fl. 75	2231	7.90	124	9	2	10.50	Fl. 80.60
HOOGOVENS P	Fl. 80	412	3.20	101	5.20	-	-	Fl. 80.60
KLM C	Fl. 45	2571	3.60	795	4.60	109	5	Fl. 47.20
KLM P	Fl. 50	731	3.50	27	3.30 B	73	4.80	Fl. 47.20
KNP C	Fl. 50	472	3	287	4.10	120	5	Fl. 51.70
KNP P	Fl. 50	558	1.70 B	72	2.80	-	-	Fl. 51.70
NEDLLOYD C	Fl. 320	224	7.60	43	15	52	22 B	Fl. 306.50
NEDLLOYD P	Fl. 280	81	4	4	10	-	-	Fl. 306.50
NAT.NED. C	Fl. 70	310	1.40	115	2.20	10	3	Fl. 66.90
NAT.NED. P	Fl. 65	233	1.10	376	2.20	202	3	Fl. 66.90
PHILIPS C	Fl. 35	1529	3	155	3.40	81	4.10	Fl. 36.90
PHILIPS P	Fl. 35	540	1.10	531	1.80	15	2.10	Fl. 36.90
ROYAL DUTCH C	Fl. 110	500	16	95	16.20	-	-	Fl. 125
ROYAL DUTCH P	Fl. 125	130	2.50 B	122	5.40	-	-	Fl. 125
ROBECO C	Fl. 105	30	3	-	-	-	-	Fl. 106.30
UNILEVER C	Fl. 130	246	5.30	143	6.90	981	9	Fl. 131.60
UNILEVER P	Fl. 130	163	2.60	169	5.20	209	6.30	Fl. 131.60
VAN OMMEREN C	Fl. 35	109	4	69	4.20	19	4.70	Fl. 38.30
VAN OMMEREN P	Fl. 35	-	-	5	1.30	28	1.60	Fl. 38.30
WESSANEN P	Fl. 85	-	-	20	5	-	-	Fl. 82.50

TOTAL VOLUME IN CONTRACTS : 63,283
A=Ask B=Bid C=Call P=Put

MONEY MARKETS

UK rates steadier

UK INTEREST rates have been contained within a relatively narrow band just recently. There is little clear indication of how rates are likely to move in the short-term, and with the UK Budget less than five weeks away, most investors have been reluctant to make a decision one way or the other.

The key three-month interbank rate was quoted at 13-12⅞ per cent yesterday, unchanged from Tuesday. Overnight money remained fairly tight, opening at 14 per cent and still commanding 13 per cent by the close.

UK clearing bank base lending rate 13 per cent from November 25

The Bank of England forecast a shortage of around £450m. Factors affecting the market included bills maturing in official hands and a take up of Treasury bills, together with repayment of late assistance draining £352m. There was also a rise in the note circulation of £100m. These were partly offset by banks' balances brought forward £20m above target.

The forecast was revised to a shortage of around £500m, and the Bank gave assistance in the morning of £105m through outright purchases of £27m of eligible bank bills in band 1, £33m in band 2, £43m in band 3 and £3m in band 4, all at unchanged rates.

A further revision took the forecast to a shortage of around £550m, and the Bank gave additional assistance in the afternoon of £230m through outright purchases of £121m of eligible bank bills in band 1, £85m in band 2, £2m in band 3 and £22m in band 4, again all at unchanged rates. Late help came to £120m, making a total of £455m.

West German interest rates were subjected to upward pressure after a smaller than expected allocation of liquidity at the Bundesbank's latest sale and repurchase tender. The authorities allotted a total of DM12.4bn, which failed to compensate for a maturing facility draining DM13.5bn.

The rate at which funds were allocated varied between 5.7 per cent and 5.95 per cent compared with 5.5 per cent to 6.1 per cent at the previous tender. While the top accepted rate was lower, the minimum bid rose, and it was around this level that most of the applications were made. However, the latest level of allotment is no cause for excitement, according to the Bundesbank president. Some traders have been worried by the recent decline in the D-Mark against the dollar, stressing that a weaker D-Mark is likely to exacerbate domestic inflationary trends.

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb.8) 3 months US dollars		6 months US Dollars	
bid 9⅞	offer 9½	bid 9⅞	offer 9⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10½
Broker loan rate	10½-¼
Fed.funds	9⅛
Fed.funds at intervention	-

Treasury Bills and Bonds

One month	7.82	Three year	9.15
Two month	8.38	Four year	9.09
Three month	8.83	Five year	9.02
Six month	8.96	Seven year	8.97
One year	9.09	10-year	8.93
Two year	9.17	30-year	8.77

Feb.8	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	5.90-6.00	5.45-5.60	5.85-6.00	6.05-6.20	6.30-6.50	6.00
Paris	8¼-8⅜	8⅞-8⅞	8⅞-8⅞	8⅞-9⅛	9⅛-9⅜	7.25
Zurich	4⅞-5⅛	5½-5⅝	-	5⅜-5⅞	-	-
Amsterdam	4.50-4.75	6.46-6.56	-	6.58-6.68	-	-
Tokyo	3⅞-3⅞	4⅞-4⅞	-	4⅞-4⅞	-	-
Milan	11⅞-12⅛	12⅛-12⅝	-	12⅛-12⅜	-	-
Brussels	8.20	7⅞-7⅞	-	7⅞-7⅞	-	-
Dublin	7½-7⅞	7⅞-8⅛	8⅛-8⅜	8⅛-8½	8½-8⅞	-

LONDON MONEY RATES

Feb.8	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14	13⅛	13⅛	13	12⅞	12½
Interbank Bid	13	13	13	12⅞	12⅞	12⅜
Sterling CDs	-	-	13⅛	12⅞	12⅞	12⅜
Local Authority Deps.	13	13	13	12⅞	12⅞	12⅜
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	14	12⅞	12⅞	12⅞	-	-
Company Deposits	-	-	13	12⅞	-	-
Finance House Deposits	-	-	12⅞	13	12⅞	12⅜
Treasury Bills (Buy)	-	-	12⅝	12⅜	12⅜	12⅜
Bank Bills (Buy)	-	-	12⅞	12½	11⅞	-
Fine Trade Bills (Buy)	-	-	13⅞	13⅛	12⅞	-
Dollar CDs	-	-	9.25-9.20	9.40-9.35	9.52-9.47	9.75-9.70
SDR Linked Dep Offer	-	-	7⅞	8⅛	8⅛	8¼
SDR Linked Dep Bid	-	-	7⅞	7⅞	7⅞	8
ECU Linked Dep Offer	-	-	8⅞	8⅞	8⅞	8⅞
ECU Linked Dep Bid	-	-	8⅛	8⅞	8⅛	8⅞

Treasury Bills (sell); one-month 12½ per cent; three months 12⅜ per cent; Bank Bills (sell); one-month 12⅞ per cent; three months 12⅞ per cent; Treasury Bills; Average tender rate of discount 12.3133 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day January 31, 1989. Agreed rates for period February 26,1989 to March 25, 1989, Scheme I: 13.93 p.c., Schemes II & III: 14.41 p.c. Reference rate for period December 31 to January 31, 1989, Scheme IV&V: 13.171 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 13½ from February 1, 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 9½ per cent; one-three months 11 per cent; three-six months 11 per cent; six-nine months 11 per cent; nine-twelve months 11 per cent; Under £100,000 9½ per cent from December 1,1988, Deposits withdrawn for cash 5 per cent.

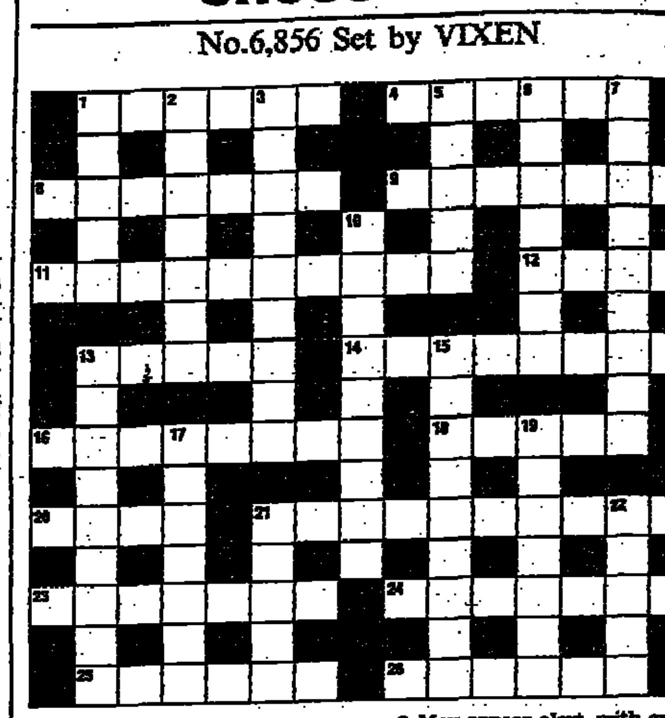
BASE LENDING RATES

	%		%		%
ABN Bank	13	Clydesdale Bank	13	NatWestminster	13
Adam & Company	13	Comm.Bk.N.East	13	Northern Bank Ltd	13
AAB - Allied Arab Bk	13	Co-operative Bank	*13	Norwich Gen. Trust	13
Allied Irish Bank	13	Coutts & Co	13	PRIVATbanken Limited	13
● Henry Ansbacher	13	Cyprus Popular Bk	13	Provincial Bank PLC	14
ANZ Banking Group	13	Dunbar Bank PLC	13	R. Raphael & Sons	13
Associates Cap Corp	12	Duncan Lawrie	13	Roxburghe G'rantee	13½
Authority Bank	13	Equatorial Bank plc	13	Royal Bk of Scotland	13
● B & C Merchant Bank	13	Exeter Trust Ltd	13½	Royal Trust Bank	13
Bank of Baroda	13	Financial & Gen. Bank	13	● Smith & Williams Secs.	13
Banco Bilbao Vizcaya	13	First National Bank Plc	14	Standard Chartered	13
Bank Hapoalim	13	● Robert Fleming & Co.	13	TSB	13
Bank Credit & Comm	13	Robert Fraser & Ptrs.	13½	United Bk of Kuwait	13
Bank of Cyprus	13	Girobank	13	United Mizrahi Bank	13
Bank of Ireland	13	● Guinness Mahon	13	Unity Trust Bank Plc	13
Bank of India	13	HFC Bank plc	13	Western Trust	13
Bank of Scotland	13	● Hambros Bank	13	Westpac Bank Corp.	13
Banque Belge Ltd	13	Heritable & Gen Inv Bnk	13	Whiteaway Laidlaw	13½
Barclays Bank	13	● Hill Samuel	§13	Yorkshire Bank	13
Benchmark Bank PLC	13	C. Hoare & Co.	13		
Berliner Bank AG	13	Hongkong & Shanghai	13		
Brit Bk of Mid East	13	● Leopold Joseph & Sons	13		
● Brown Shipley	13	Lloyds Bank	13		
Business Mtge Tst	13½	Meghraj Bank Ltd	13		
Cl. Bank Nederland	13	McDonnell Douglas Bnk	13		
Central Capital	13	Midland Bank	13		
● Charterhouse Bank	13	Mortgage Express Ltd.	§13.95		
Citibank NA	13	Mount Banq Corp.	13		
City Merchants Bank	13	Nat. Bk. of Kuwait	13		

● Members of British Merchant Banking & Securities Houses Association. * Deposit now 5.22% Savewise : 8.47%. Top Tier-£10,000+ Instant access 11.72% ‡ Mortgage base rate. § Demand deposit 8%. Mortgage 13.625% - 14.00%

CROSSWORD

No.6,856 Set by VIXEN



ACROSS

1 "Nothing's so hard but— will find it out." Herrick (Hesperides) (6)
4 Cute characters gathered around a soft drinks dispenser (6)
8 Model of pet bird (7)
9 Anecdotes — politicians get the point first (7)
11 No relative may make such a telling report (10)
12 Like starting a kindergarten (4)
13 It's turned over after to a music man (5)
14 A few inside stepped forward (8)
16 The guy holding back thanks in cutting beasts (8)
18 Absurd thing to occasion gloom! (5)
20 Given employment in a warehouse, due to expansion (4)
21 Strong line taken about colour — it is praiseworthy (10)
23 A magazine for football players (7)
24 The case presented by the administration (7)
25 Find serving man kind in a holiday centre (6)
26 Spare many a bore (6)

DOWN

1 Put on a coach (5)
2 May appear alert, with craft or without craft (7)
3 Organising a vehicle race would be a bloomer (9)
5 Scoffed at in the evening (5)
6 Sure to upset a cretin (7)
7 A top man parking and staying (9)
10 One's a king indeed when opposed! (9)
15 Official rate changes more 6 down (9)
17 Talk to direct (7)
19 Ordering niggard to reform (7)
21 Such air-lines provide comfortable besting (5)
22 Continental university that's superior (5)

Solution to Puzzle No.6,855

THIEVERY SWITCH
PATHETIC WIGWAM
AGNES OFFSEASON
SIRIUS AMORIST
LEGHORN SPEECH
SLOWCOACH AGREE
ICEBOX ALPHABET
GREASE CRESCENT

JOTTER PAD

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY

[illegible]

GERMANY (continued)

[illegible]

ITALY

[illegible]

ITALY (continued)

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

SINGAPORE

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

2pm prices February 8

[illegible]

INDICES

NEW YORK DOW JONES

	Feb 7	Feb 6	Feb 3	Feb 2	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
♦Industrials	2347.14	2321.07	2331.25	2333.75	2347.14 (7/2/89)	1879.14 (20/1/88)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	89.46	89.32	89.37	89.49	91.25 (3/3/88)	86.12 (4/1/88)	–	–
Transport	1087.97	1084.73	1083.44	1076.85	1087.97 (7/2/89)	737.57 (21/1/88)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	190.85	189.19	189.54	189.96	191.15 (24/1/89)	167.26 (20/4/88)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2363.75 (2338.04) Low 2314.64 (2307.68)

STANDARD AND POOR'S	Feb 7	Feb 6	Feb 3	Feb 2	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
Composite‡	299.63	296.04	296.97	296.84	299.63 (7/2/89)	242.63 (20/1/88)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	346.41	342.48	343.84	343.62	346.41 (7/2/89)	277.86 (20/1/88)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	27.24	26.72	26.76	26.67	27.24 (7/2/89)	21.51 (8/1/88)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	168.02	166.19	166.50	166.35	168.02 (7/2/89)	136.72 (20/1/88)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	326.38	324.48	324.88	324.52	326.38 (7/2/89)	262.76 (12/1/88)	365.01 (15/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	409.19	406.00	406.35	405.16	409.19 (7/2/89)	331.97 (12/1/88)	455.28 (26/8/87)	54.87 (31/10/72)

	Feb 3	Jan 27	Jan 20	Year ago (approx.)
Dow Industrial Div. Yield	3.45	3.46	3.59	3.63

	Feb 1	Jan 25	Jan 18	Year ago (approx.)
S & P Industrial div. yield	3.05	3.12	3.13	3.15
S & P Ind. P/E ratio	13.79	13.40	13.30	13.96

TRADING ACTIVITY

† Volume Millions	Feb 7	Feb 6	Feb 3
New York	217,260	151,307	172,980
Amex	14,780	12,312	13,520
OTC	156,914	128,290	143,345

NEW YORK	Feb 7	Feb 6	Feb 3
Issues Traded	1,957	1,924	1,937
Rises	1,098	842	778
Falls	410	780	634
Unchanged	451	302	525
New Highs	151	87	97
New Lows	10	9	7

CANADA

TORONTO	Feb 7	Feb 6	Feb 3	Feb 2	1988/89 High	1988/89 Low
Metals & Minerals	3554.9	3564.9	3560.2	3550.7	3564.9 (6/2/89)	2238.7 (8/2/88)
Composite	3679.7	3661.8	3667.0	3653.5	3679.7 (7/2/89)	2977.9 (8/2/88)
MONTREAL Portfolio	1842.23	1831.50	1837.81	1828.98	1842.23 (7/2/89)	1305.06 (27/1/88)

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Union Carbide	7,608,800	30⅛	+ 2⅛	Pan Am	2,055,000	3⅜	– ⅛
Navistar	3,582,900	6⅜	—	AT&T	2,012,400	32½	+ ½
Burlington	3,572,500	46⅜	– 2⅛	Ford Motor	1,947,700	55⅞	+ 1⅛
General Motors	2,678,500	93⅞	+ 4⅜	General Electric	1,895,000	48⅛	+ ⅜
BankAmerica	2,083,700	21	+ ½	Baxter Intl	1,704,300	20⅛	+ ½

Base values of all indices are 100 except NYSE All Common – 50, Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

WORLD INDICES

	Feb 8	Feb 7	Feb 6	Feb 3	1988/89 High	1988/89 Low
AUSTRALIA All Ordinaries (1/1/80)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
All Mining (1/1/80)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AUSTRIA Credit Aktien (30/12/84)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BELGIUM Brussels SE (1/1/80)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DENMARK Copenhagen SE (3/1/83)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FINLAND Unitas General (1975)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FRANCE CAC General (31/12/82)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ind. Tendance (30/12/88)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GERMANY FAZ Aktien (31/12/58)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Commerzbank (1/12/53)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DAX (30/12/87)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HONG KONG Hang Seng Bank (31/7/64)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ITALY Banca Com. Ital. (1972)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
JAPAN Nikkei (16/5/49)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo SE (Topix) (4/1/68)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NETHERLANDS ANP-CBS General (1970)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ANP-CBS Industrial (1970)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NORWAY Oslo SE (4/1/83)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SINGAPORE Straits Times Ind. (30/12/66)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SOUTH AFRICA JSE Gold (28/9/78)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
JSE Industrial (28/9/78)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SPAIN Madrid SE (30/12/85)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SWEDEN Jacobson & P. (31/12/56)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SWITZERLAND Swiss Bank Ind. (31/12/58)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
WORLD M.S. Capital Intl. (1/1/70)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

‡Subject to official recalculation. †Corrected index.

Base values of all indices are 100 except Brussels SE and DAX – 1,000; JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday 8 February 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Kobe Steel	105.5m	337	+48	Nippon Oil	38.6m	1,800	-10
Nippon Steel	74.4m	940	+34	Fujita	38.6m	1,330	+40
NKK	61.6m	583	+33	Sato Kogyo	36.3m	1,850	+90
Asahi Chemical	61.3m	1,300	+80	Nisshin Steel	34.2m	1,220	+30
Sumitomo Metal	39.3m	792	+26	Hitachi Zosen	30.6m	673	+48

3pm prices February 8

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A–A–A –								
28⅜	18⅛	AAR	.44	1.7	16	238	26⅜	26⅛	26⅛	+ ⅛
10⅛	8⅞	ACM n	1.01	11.		102	9⅛	9⅛	9⅛	+ ⅛
12⅛	10¾	ACMIn	1.26a	11.		328	11⅛	10⅞	11	
10⅛	8½	ACM M	n1.01	11.		118	9⅜	9⅜	9⅜	– ⅛
12⅛	10⅛	ACM Sc	1.26	12.		600	10⅜	10⅜	10⅜	
10⅛	8½	ACMSp	n.78e	8.5		318	9	8⅞	8⅞	– ⅛
5⅛	2⅝	AMCA	.12e	2.9		26	4⅛	4	4⅛	+ ⅛
6⅛	3⅛	AM Ind				595	5⅛	5⅜	5⅜	
23⅛	18⅛	AM Int pf	2	8.7		39	22⅞	22⅜	22⅞	+ ⅛
62⅛	33⅛	AMR			8	3814	61⅞	59⅞	60	– ½
29⅛	25	ANR pf	2.67	10.		1	26	26	26	– ⅛
9½	5	ARX				89	5⅜	5⅛	5⅜	+ ⅛
48⅜	35⅛	ASA	3e	7.1		946	42⅛	41⅛	42	+ ⅝
20⅛	13⅛	AVX	.24	1.3	9	409	18⅞	18½	18⅝	– ⅛
52⅜	42⅞	AbtLab	1.20	2.4	15	4819	50⅛	49⅞	50⅜	+ ⅜
20⅜	15⅛	AbitibI g	1			68	18	17⅞	17⅞	– ⅜
13⅞	7½	AcmeC	.40	3.7		224	10⅞	10⅝	10⅝	+ ⅛
8⅞	5⅞	AcmeE	.32b	5.1	22	18	6⅜	6⅛	6⅛	
29½	17⅛	Acuson			26	1801	27⅛	26⅝	27⅛	+ ⅜
17	14½	AdaEx	1.83e	12.		63	15	14⅞	15	
18⅞	7⅛	AMD			83	8049	9½	9⅛	9⅛	– ⅛
43½	28⅜	AMD pf	3	9.4		103	32	32	32	+ ⅛
8⅛	6⅞	Adobe				27	7⅜	7⅛	7⅛	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 43

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
61½	41¼	QuakrO	1.20	2.3	16	1281	53⅛	52⅝	53⅛	
27⅛	15⅞	QuakSC	.80	4.3	35	1478	18⅞	18½	18⅝	− ⅛
17⅝	6¼	Quanex	.24	1.3	10	471	u17⅞	17½	17⅞	+ ⅛
29⅝	25⅞	Quanx pf				50	u30½	29⅞	30½	+1
58¼	51⅛	Qoanm	3	5.1	4	3280	u58⅞	58	58⅞	+1
11⅛	9⅝	QstVI	1	9.7		182	11	10⅞	11	− ⅛
10⅛	8¼	QstVC	.09			889	10	9⅞	10	+ ⅛
35⅛	29⅞	Questar	1.56	5.5	42	56	30⅞	30½	30⅝	− ⅛
15⅞	10½	QkReily	.24	1.6	12	182	15½	15¼	15⅜	+ ⅛
		— R—R—R —								
12	11½	RAC In n				100	11⅝	11½	11½	
11¼	5	RAC	1.31e	26.		2023	5¼	d 4½	5⅛	− ⅞
12⅛	5⅞	RBInd				30	11⅝	11⅝	11⅝	+ ⅛
99⅝	44¼	RJR Nb	2.20	2.2	17	45452	u100	99⅝	100	+ ½
119½	100½	RJR pf	11.50	11.		2	107	107	107	+ ½
10½	8	RLC	.20b	2.1	11	194	9⅞	9⅝	9⅝	− ¼
12½	7⅛	RLI Cp	.36	4.8	7	61	8	7⅞	7⅞	
8⅝	4⅛	RPC			21	144	8⅞	8⅝	8⅞	+ ⅛
7½	6	RPS n				184	6⅛	6	6	− ⅛
49¼	28½	Racal n				2723	u50½	48⅞	49⅞	− ½
1⅛	5-16	Radice				29	3-16	½	½	
88⅛	65½	RalsPur	1.65	2.0	13	483	84⅞	84	84⅛	− ⅝
10⅝	6	Ramad				7377	u10⅞	10½	10⅝	+ ⅛
6½	4⅞	RangrO			56	791	6⅛	5⅞	5⅞	− ⅛
54¼	30⅛	Rayonr	.32	.9	12	1796	37⅛	36⅝	36⅞	− ⅛
13⅜	9	RJamFn	.20	1.5	9	182	u13⅞	13¼	13⅞	+ ⅛
21⅞	17⅞	Rayonr	2.60	13.	8	96	20⅞	20⅝	20⅞	+ ⅛
8½	2⅞	Raytch	.05e	1.4		76	3⅝	3½	3½	
73⅞	61	Raythn	2	2.8	10	788	71½	71	71½	− ⅛
2½	⅛	ReadBt				580	⅞	¾	⅞	
[illegible]										
44¼	28½	XTRA	.72	1.7	15	174	43⅝	42⅛	42⅛	−1
33	25	XTRA pf	1.94	6.0		13	32½	32	32½	+ ¼
3⅞	2	Zapata				127	3⅛	3	3	− ⅛
27⅛	17½	Zayre	.40	1.6	171	1421	25⅞	25½	25⅝	
15½	10	Zemex	.40	3.3	25	3	12	12	12	+ ⅛
30	14⅞	ZenithE				1488	20⅝	20	20⅛	− ¼
10¼	8⅞	Zenln n	.69e	7.1		87	9⅞	9¾	9¾	
3	1	vjZenLb				290	1⅞	1¾	1⅞	
21⅝	15	ZenNtl	.80b	4.2	9	425	19	18¾	19	+ ⅝
19½	13	Zero	.44	2.2	16	332	u19⅞	19⅛	19⅞	+ ⅝
28⅛	19	Zurnin	.68	2.4	16	83	28⅞	28½	28¾	
11¼	9¼	Zweig	1.08e	9.9		425	10¾	10⅝	10¾	+ ⅛
10⅛	9	ZweigT	n.24e	2.5		552	9⅝	9½	9⅝	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices February 8

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
PitDsm	.40e	7	22	23½	23	23¼	+ ¼
[illegible]							

OVER-THE-COUNTER

Nasdaq national market 3pm prices February 8

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

FINANCIAL TIMES Thursday February 9 1989

AMERICA

Fears of missing the rally prompt further Dow rise

Wall Street

FEAR of missing the current rally has outweighed any potential negatives for the market, including higher interest rates, *writes Janet Bush in New York.*

Yesterday morning saw the equity market go through a now familiar cycle of stocks rallying, then succumbing to profit-taking and finally rising again as institutions bought at the lows. The Dow Jones Industrial Average piled on 10 points within the first half hour of trading, then lost those gains only to recover again by midsession.

At 2 pm, the Dow stood 5.36 higher at 2,352.50 on heavy trading of 134m shares.

It is difficult to pinpoint any change in economic fundamentals to account for the fine performance of the equity market so far this year. There is a general concern that inflation, while not explosive, is creeping higher.

No one disagrees that short-term interest rates will move higher before falling again, although the timing is uncertain. Some analysts believe rates will peak in the first half of this year and slide in the second half as the economy slows. Others believe interest rates will continue rising throughout 1989.

The Treasury bond yield curve has finally inverted, which has often presaged a recession. Whatever the disagreements over and technicalities of analysis of the yield curve, short-term Treasury bonds offering a low-risk return of more than 9 per cent are an attractive alternative to stocks. This was indicated by the strong demand in Tuesday's three-year auction.

Corporate profits are set to slow after last year's rise of about 25 per cent to perhaps 15 per cent.

President George Bush's expected proposal to cut capital gains tax from 28 per cent to 15 per cent for stocks and similar investments is likely to run into intense political opposition in Congress.

Yet none of this matters to the stock market at the moment, as investors' only concern is not to miss out on current gains. If the market is ignoring less optimistic news on the horizon and continuing to rise, there is some logic in capturing the returns on offer now and taking profits later in the year. The equity market seems firmly set on a buying spree, although there will inevitably be setbacks on the way.

Blue chips slowed down a little after their surge on Tuesday. International Business Machines edged $¼ higher to $127⅞, Philip Morris added $⅞ to $111, F. W. Woolworth added $¼ to $55¾, Merck dropped $¼ to $64¾ and General Electric dipped $⅝ to $48.

Among featured individual stocks was Cummins Engine, which added $2¾ to $67⅛. Hanson Trust of Britain has received US anti-trust clearance to buy up to 15 per cent of the company.

Southern New England Telecommunications gained $4 to $66⅞ after the telecommunications subsidiary of Williams Companies said it had agreed to buy Southern New England's Lightnet joint venture with CSX for $365m.

Desoto dropped $¾ to $48½ after it said it would not continue discussions with investor Mr William Speir, who had offered to acquire the company for $50 a share.

Fairchild Industries fell $⅝ to $13¾ after a press report that a subsidiary was under investigation for allegedly falsifying test reports on equipment used in military and commercial aircraft.

Dayton Hudson rose $1⅞ to $45⅝ on vague speculation of a management-led buy-out. The company declined comment.

In over-the-counter trading, National Pizza jumped $1¾ to $10⅞ after the company filed a suit against Pepsico's Pizza Hut subsidiary to permit the completion of its $9.25-a-share acquisition of Skipper's Inc.

Canada

DEMAND for energy and industrial issues pulled the Toronto stock market higher at midday, with the composite index up 19.6 at 3,699.3. Advances outnumbered declines by 307 to 260 on brisk turnover of 17m shares.

Among golds, American Barrick rose C$⅜ to C$23⅜ and Placer Dome firmed C$⅛ to C$16⅝.

Gulf Canada, which said it was seeking a licence to export natural gas from northern Canada to the United States, was unchanged at C$14⅞.

Molson, which said it expected to make savings from brewery closures after the merger of its brewing operations with Carling O'Keefe, rose C$¼ to C$33⅞.

ASIA PACIFIC

Nikkei soars past 32,000 level in frenzied buying

Tokyo

INVESTORS were undaunted by the recent steep rise in share prices and bought frenetically, sending the Nikkei average surging through the 32,000 level for the first time, to close once again at a record high, *writes Michiyo Nakamoto in Tokyo.*

Wall Street's overnight strength set the bullish tone and the Nikkei average rose 152.30 to breach 32,000 by the close of morning trading. It climbed to a high of 32,066.09 before closing just below it at 32,065.12, a gain of 184.47. The day's low was 31,892.51.

In spite of the Nikkei's powerful rise, losses slightly exceeded gains by 470 to 457 with 165 issues unchanged. Turnover was a strong 1.79bn shares, although not quite as high as the 1.96bn traded on Tuesday. The Topix index of all listed shares gained 17.77 to 2,490.07 and in London the ISE/Nikkei 50 index picked up 11.04 to end above the 2,000 level at 2,002.51.

The Nikkei average hit 32,000 "without even pausing for breath," commented one broker. Investors who only a few days ago had been worried about an upward spiral in global interest rates and the yen's weakening against the dollar appeared to shelve those worries and concentrate on getting what they could out of the market.

Buying interest has been shifting from sector to sector at a fairly rapid pace, with investors who had snatched up non-ferrous metal stocks earlier in the day already taking profits before the close. Much of the buying seemed to be frantic and indiscriminate as growing optimism about the market's prospects allowed investors to discount worries over interest rates and the yen.

The currency market has indeed been relatively stable, but the sharp rise in stock prices and the rapid sector rotation led at least one broker to warn that "this kind of burst of strength is quite often short-lived."

Large capital steels made an expected rebound. Kobe Steel led the actives with 105.5m shares traded and put on Y46 to Y837. Nippon Steel followed with 74.4m shares, rising Y34 to Y940. NKK was the third most actively traded with 61.5m shares, gaining Y33 to Y993.

Leading brokers were known to have been eager to push steels in order to generate volume before the end of their shortened fiscal year in March. The popularity of construction stocks in recent days was a natural way to direct attention back to the steels, one analyst said.

Receding fears about higher interest rates encouraged interest in financial firms. Fuji Bank gained Y90 to Y3,700 and Nikko Securities rose Y70 to Y2,100.

Trading in Osaka was also supported by interest in large capital steels and financials. The OSE average gained 77.84 to 30,433.84.

Nippon Fire and Marine Insurance rose Y160 to Y1,370 and Nippon Oil advanced Y34 to Y938.

Roundup

TRADING was fairly featureless in Asia Pacific markets, with share prices responding to domestic economic news rather than corporate situations. Hong Kong and Taiwan were closed for new year celebrations.

AUSTRALIA was led higher by strength in the industrial sector, although there were continued worries over interest rates. The All Ordinaries index rose 9.3 to 1,501.3.

Turnover was thin, at 73.2m shares worth A$114.3m, and much of it was options-related.

Among industrials – which were strong in response to firmer overseas markets – News Corp added 10 cents to A$10.70, BTR Nylex put on 6 cents to A$9.12 and Goodman Fielder rose 10 cents to A$2.20.

NEW ZEALAND rallied on continued overseas demand and in response to gains in leading world markets.

News of December's current account surplus aided sentiment, while a weakening of the New Zealand dollar against the Australian currency encouraged Australian buying. The Barclays index rose 34.9 to 2,076.01.

SINGAPORE returned from new year celebrations in optimistic mood, with the Straits Times industrial index rising 7.78 to 1,151.21.

Lethargic Portugal shows signs of stirring

Leaked tax incentive proposals have buoyed investor confidence, writes Diana Smith

THIS MONTH'S timid rallies on the Lisbon and Oporto bourses hint that Portugal's languid markets may be awakening from a siesta that began with the October 1987 crash.

After long uncertainty, investors, companies and fund managers finally know what the Anibal Cavaco Silva Government is offering in bourse-related tax incentives. Leaks to the media late last month of tax incentive proposals brought sighs of relief from anxious brokers, fund and portfolio managers.

Since the leaks, turnover and prices have begun to recuperate from a severe January slump. Volume stood at only 457,000 shares in the first week of the year but by last week had jumped to 1.22m. The Banco Totta e Acores (BTA) index, meanwhile, has recouped all of the 3.5 per cent drop seen in the first couple of weeks this year, to stand at 2,351.5 yesterday.

Fund managers such as Mr Joao Rendeiro of Gestifundo report a small increase in demand for unit trust shares over the past two weeks. He adds that the bond market is also waking up, as bank credit tightens and lending rates soar above 19 per cent – 10 points above domestic inflation. Now that income on bond interest is tax-free, company debentures and gilt edged securities offering 12 to 13 per cent interest are attracting more takers.

"The Government's tax proposals do not penalise investors or companies," says Mr Rendeiro, "and they seem to be having a positive psychological effect on the market."

Specialists have long pressed for clear, consistent tax incentives that can sustain interest in Portugal's small market. Instead, over the past two years, tax policies have chopped and changed, confusing and discouraging investors.

This time round, specialists hope that a Finance Ministry

– under the bureaucratic wing of which the bourses must function – does not change its mind in a few months' time.

The proposals, which must be debated and approved by Parliament before becoming law, offer resident individuals tax exemption on capital gains from share transactions as long as they hold the shares for a year. Individuals may deduct from their taxable income up to Esc500,000 ($3,250) a year in dividend earnings. Resident companies selling shares will pay no tax on the proceedings if they invest gains in their companies or in gilt-edged securities.

A vital point, which unit trust and fund managers defended in the face of initial official resistance, has been conceded: neither resident unit trust portfolio earnings nor unit holders' earnings will be subject to capital gains tax. Pension funds' earnings will be tax exempt and venture capital companies will, for now, pay no corporation tax.

There is also a reduction of 20 per cent in the taxes due on dividends paid by listed companies and a carrot offered to potential buyers of shares in the forthcoming reprivatisations of state-owned corporations, where dividend taxes will drop by 40 per cent.

There is a great deal of unhappiness, however, over the decision to exact a 10 per cent tax on proceedings from non-resident foreigners' operations on the Portuguese bourses.

The discriminatory decision was greeted with dismay by overseas investors who have stuck with the shaky local market and, in the past stagnant year, taken capital losses.

Threats on the part of some of them to pull out of the equity market because the tax move, in their view, is the last straw have led to hints that the authorities may let Parliament amend the proposal in the foreigners' favour.

Analysts believe the market badly needs long-term, solid, sophisticated foreign capital to boost its development, maturity and efficiency. However, the bureaucrats who control the financial and capital markets often seem deeply suspicious or even resentful of foreign investors.

EUROPE

Frankfurt's FAZ climbs to new 1989 high

STRENGTH in the world's leading markets boosted European confidence, producing healthy gains in solid turnover, *writes Our Markets Staff.*

FRANKFURT surged ahead in active trading as investors returned from carnival holidays in good spirits and took encouragement from overseas gains. The rising dollar helped ease interest rate worries and the FAZ index pushed 4.83 higher to 569.27, a new high for the year. The DAX index ended 14.94 better at 1,359.88 in strong turnover worth DM4.7bn.

Mr Jens Wiecking, director of Merck Finck, the Düsseldorf bank, saw the rise as partly technical as institutions were heavily laden with cash and keen to get back into the market. The recent focus on speculative and second-line issues, with blue chips lagging, had been taken as a sign that the market was tiring. "Everybody was caught on the wrong foot," said Mr Wiecking.

Market players were still cautious, he added. "Sooner or later this interest rate situation will have an impact, but apparently not yet."

Foreigners were present, but the main activity came from domestic institutions. Blue chips mostly showed strong gains, but Daimler continued to lag, with a gain of only DM1 to DM670. Siemens rose DM9 to DM540.50, saying it was still in the running to partner Italtel, the Italian telephone exchange maker, despite the selection of AT&T on Tuesday. The choice has to be formally approved.

Features included engineer Deutsche Babcock, a recent underperformer which rose DM9.20 to DM183 and hit DM190 in after hours trading on rumours of a large order from the Middle East.

Retailer Hussel gained DM12 to DM480 on upward revisions of earnings forecasts following its sale of loss-making Voswinkel Shoes. Holding company Agiv gained DM19 to a 1989 high of DM497.

In chemicals, BASF was again the day's most actively traded stock, rising DM3 to DM301. Utility Veba was the second most active issue, adding DM7.30 to DM290.

PARIS took off in early morning trading in response to Wall Street's strong overnight performance, positive corporate news and speculation. Profit-taking then knocked some stocks but a firm opening in New York revived interest and the market closed near the day's highs.

The CAC 40 index added 24.95 to 1,702.09 and the OMF 50 index rose 7.66. The CAC General index, calculated on opening prices, stood 4.4 up at 456.4, not far off its all-time high of 460.4.

Carmaker Peugeot rose FFr31 to FFr1,613, having been at FFr1,619, on news of a 7.7 per cent rise in its domestic car sales last year. Its share of the market rose to 34.2 per cent from 33.4 per cent. There was also a market rumour yesterday that Fiat might be interested in buying Michelin's 9 per cent stake in Peugeot, and Michelin climbed FFr7.40 to FFr221.90.

Thomson-CSF also saw active trading, rising FFr7 to FFr254, after being up FFr12, as rumours flew. There were suggestions that Thomson might itself bid for Plessey of the UK; that it might join GEC and Siemens in their bid for Plessey; and that it might pick up those bits of Plessey not wanted by GEC and Siemens.

Metaleurop was strong on firm zinc prices, rising FFr7.50 to FFr155.50 on volume of 249,000 shares. But some of Tuesday's sharp climbers saw profit-taking, and Avions Marcel Dassault lost FFr40, or 4.8 per cent, to FFr790, while Labinal gave up FFr55, or 5 per cent, to FFr1,020.

ZURICH was taken higher by chemical and engineering stocks, ending firmer in improved turnover. The Crédit Suisse index added 5.6 to 539.4.

Chemicals benefited from statistics showing an 8.9 per cent rise last year in the value of the domestic industry's exports and by rumours that Sandoz and Ciba-Geigy were interested in buying stakes in each other.

Sandoz bearers climbed SFr200 to SFr10,000 while Ciba-Geigy bearers put on SFr80 to SFr3,130.

AMSTERDAM rose in line with leading world markets, with trading again boosted by interest in DSM, the newly floated chemicals group. The CBS tendency index rose 0.8 to 166.0 in an active session.

DSM gained Fl 2.60 to Fl 123.10, ending off a high of Fl 124.50. Some players apparently sold the stock short in grey market trading last week, betting on the price falling when official trading began on Monday and on obtaining their full allocation of shares. Amro bank, which is lead managing the new issue, was said to be unhappy about this and buying aggressively, leaving some people scrambling to cover.

Steel stock Hoogovens was strong again on higher earnings expectations, rising Fl 2.80 to Fl 80.60, and KLM added 10 cents to Fl 47.20, after reaching Fl 48.30, before today's third quarter results.

MILAN was helped higher by corporate news, although the tone remained nervous. The Comit index added 2.16 to 580.49 in thin volume.

The Italtel-AT&T link-up was widely expected but telecommunications stocks were nevertheless strong, with Stet rising L75 to L3,575. Olivetti, bidding for ISC Systems of the US, rose L89 to L9,350.

STOCKHOLM was cheered by Wall Street and by expectations of bumper results from telecommunications group Ericsson, due today. The Affärsvärlden index climbed 10.5 to 1,069.4.

Ericsson rose above SKr400 for the first time in five years, but eased slightly to end SKr8 higher at SKr399. Atlas Copco benefited from anticipation of good earnings later this month and rose SKr8 to SKr228.

BRUSSELS was dominated by trading in engineering issue ACEC, on news that Matra of France and Gillam of Belgium plan to make a joint offer for its space, defence and telecommunications activities.

ACEC jumped BFr50, or 12 per cent, to BFr466 with a heavy 106,200 shares traded.

MADRID moved little in the face of the breakdown of talks between the unions and the Government, with the general index easing 0.27 to 279.59.

SOUTH AFRICA

THE WEAK financial rand and overseas stock market gains proved a fillip for Johannesburg gold shares, which ended higher in spite of a weaker bullion price. Industrials were also strong, with Barlow Rand up R1 at R33.25.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY FEBRUARY 7 1989					MONDAY FEBRUARY 6 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988/89 High	1988/89 Low	Year ago (approx)
Australia (89)	150.05	+0.1	127.67	112.52	4.75	149.94	128.27	113.09	157.12	91.16	91.76
Austria (18)	94.47	-0.1	80.38	91.86	2.68	94.57	80.90	92.18	100.00	83.72	86.08
Belgium (63)	133.69	+0.2	113.75	129.74	3.96	133.40	114.12	129.95	139.89	99.14	112.50
Canada (125)	137.27	+0.5	116.79	117.49	3.12	136.56	116.83	116.98	137.27	107.06	108.87
Denmark (39)	156.53	+0.6	133.18	154.56	1.96	155.65	133.16	154.44	161.60	111.42	114.32
Finland (26)	140.50	+2.0	119.54	127.26	1.37	137.80	117.89	125.11	140.50	106.78	110.56
France (131)	118.26	+0.7	100.62	117.89	2.75	117.43	100.46	117.80	119.33	72.77	78.26
West Germany (102)	85.63	+1.4	72.86	83.14	2.27	84.47	72.26	82.49	90.40	67.78	69.90
Hong Kong (45)	129.37	+0.0	110.08	129.55	3.83	129.38	110.69	129.55	129.38	84.90	85.06
Ireland (17)	135.86	+0.5	115.60	133.82	3.83	135.15	115.62	133.87	144.25	104.60	107.17
Italy (98)	79.13	-0.9	67.33	80.49	2.51	79.84	68.30	81.75	86.88	62.99	62.99
Japan (456)	193.44	+0.3	164.59	158.04	0.47	192.79	164.93	158.00	197.43	133.61	148.21
Malaysia (36)	156.84	+0.0	133.45	164.67	2.59	156.77	134.11	164.65	156.84	107.83	107.83
Mexico (13)	163.12	+0.4	138.79	413.76	1.24	162.50	139.02	411.65	182.24	90.07	137.94
Netherland (39)	113.97	+1.0	96.97	109.63	4.53	112.88	96.57	109.35	115.04	95.23	96.79
New Zealand (24)	73.19	-0.8	62.27	63.39	6.21	73.78	63.12	63.91	84.05	63.32	67.31
Norway (26)	159.28	+1.0	135.52	146.20	1.86	157.68	134.90	145.21	161.54	98.55	99.35
Singapore (26)	139.70	+0.1	118.86	124.15	2.15	139.63	119.45	124.15	139.70	97.99	98.94
South Africa (60)	125.62	+1.4	106.89	108.75	4.34	123.90	105.99	107.26	139.07	98.26	118.72
Spain (42)	146.79	+0.4	124.89	129.22	3.65	146.19	125.06	129.46	164.47	130.73	134.41
Sweden (35)	147.85	-0.7	125.80	138.88	2.17	148.84	127.33	140.41	150.22	96.92	105.87
Switzerland (57)	76.21	+0.5	64.84	74.96	2.27	75.81	64.85	75.03	86.75	74.13	77.14
United Kingdom (314)	150.74	+1.9	128.25	128.25	4.23	147.87	126.50	126.50	150.74	120.66	123.36
USA (569)	121.90	+1.2	103.72	121.90	3.51	120.44	103.03	120.44	121.90	99.19	102.78
Europe (1007)	119.54	+1.2	101.71	109.42	3.48	118.10	101.04	108.72	119.66	97.01	97.01
Nordic (126)	143.91	+0.2	122.44	132.45	1.98	143.62	122.87	132.74	144.52	98.11	103.65
Pacific Basin (676)	188.93	+0.3	160.75	154.74	0.69	188.33	161.12	154.73	192.26	130.81	143.57
Euro-Pacific (1683)	161.17	+0.6	137.13	136.71	1.53	160.23	137.08	136.44	161.61	120.36	124.96
North America (694)	122.73	+1.2	104.42	121.65	3.48	121.31	103.78	120.25	122.73	99.78	103.10
Europe Ex. UK (693)	100.33	+0.6	85.37	97.73	2.84	99.72	85.31	97.72	102.91	80.27	80.65
Pacific Ex. Japan (220)	134.80	+0.0	114.69	113.09	4.32	134.80	115.32	113.45	137.41	87.51	87.67
World Ex. US (1881)	159.99	+0.6	136.12	135.93	1.60	159.05	136.07	135.64	160.23	120.26	124.35
World Ex. UK (2136)	144.74	+0.7	123.15	131.46	1.98	143.78	123.01	130.90	144.74	111.77	115.28
World Ex. So. Af. (2390)	145.38	+0.8	123.69	131.30	2.17	144.26	123.41	130.63	145.38	113.26	115.96
World Ex. Japan (1994)	122.13	+1.1	103.92	117.12	3.53	120.77	103.32	116.07	122.13	100.00	100.54
The World Index (2450)	145.26	+0.8	123.59	131.15	2.19	144.13	123.30	130.47	145.26	113.37	115.99

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.62 (US $ Index), 114.42 (Pound Sterling) and 123.18 (Local).

CONSTITUENT CHANGE: DSM (Netherlands) was inserted Feb.7.

Markets closed Feb.7: Hong Kong, Malaysia and Singapore. Latest prices were unavailable for this edition.